Banking in Australasia,

From a London Official's point of view.

With some Remarks on Mortgage and Finance Companies

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FROM A

LONDON OFFICIAL'S POINT OF VIEW,

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PREFACE.

The use of the word "debenture" in a pamphlet recently published by another bank officer and myself having given rise to considerable misapprehension, it was necessary to give some explanation, and the present form has been adopted. In justice to my co-pamphleteer I ought to add that he was unwilling that the word "debenture" should appear without explanation; but brevity being of importance in a pamphlet, it was not thought necessary to explain a matter, which, from the writer's point of view, admitted of no construction other than that he intended it should bear.

Although from its comparatively modern growth the details of Australian banking history are familiar to us, there are not a few incidents which have passed out of recollection. A case in point is the Royal Bank of Australia, and its remarkable chairman, Mr. Benjamin Boyd, a sketch of whose career is given in the concluding chapter of this work. The Bank of Queensland, Limited, also, though of more recent date, has well nigh faded into oblivion. It is hoped that the brief historical accounts of the various banks, which have been carefully compiled from authoritative sources, will be useful and interesting, and perhaps instructive, to those connected with Australian commerce. No attempt has hitherto been made to bring into a tangible form the history of the Australian banks. Indeed, beyond two papers read before two of the learned societies, Australian banking literature may be said to have no existence whatever.

The statistics in Chapter VI. bring out clearly the meagre liability of shareholders in the local Australian banks, as compared with Anglo-Australian banks and other banking companies in this country. Chapter VIII. deals with advances on produce, a subject on which there has been a good deal of discussion in the daily papers. Opponents of the system of advances by banks on wool have contented themselves with the statement that banks are incapable of realising wool in London in a satisfactory manner, and an endeavour is made in this chapter to show that wool in the hands of a bank is certain to meet with as good a market as when in the hands of a merchant or a Mortgage Company.

The importance and influence of the Mortgage Companies are shown in Chapter IX., where also will be found a suggestion as to the issue of negotiable interest-bearing documents by Colonial banks. Telegraphic transfer of money, the Bank Agreement, and Competition are other subjects dealt with. The history of the various banks, and other matters of fact, are compiled chiefly from the bank reports in the pages of the *Bankers' Magazine*, the *Melbourne Argus*, and the *Australasian Insurance and Banking Record;* the latter also furnishing some of the statistical tables.

LONDON, *March*, 1883.

CONTENTS.

BANKING IN AUSTRALASIA.

CHAPTER I.

Introductory; Tables showing the progress of the older Banks and the expansion of Banking business in New South Wales, Victoria, and South Australia; the Oriental Bank; Anglo-Australian Banks; Colonial Banks.

IN a paper read before the Institute of Bankers in October last, the subject of Banking in Australasia received ample, if not exhaustive treatment at the hands of Mr. Edwin Brett. The following pages, however, have reference more particularly to the business of Australian Banks in London, with a brief notice of most of the Banks at present existing, and of such as have disappeared, whether by liquidation or by amalgamation with other Banks. The subjects of Colonial Government Banking Accounts and of Affiliated Companies will also engage our attention; but before proceeding to discuss these questions, it will be interesting, by way of introduction, to note some of the incidents of early banking in the Colonies, as related by Mr. Brett, who, in his paper above referred to, takes us back to a period prior to the banking era. Some idea of the difficulty of settling the commercial transactions of that time may be gathered from the heterogeneous [illegible] of the currency. English guineas, gold mohurs, Spanish

dollars, Dutch guilders, and a host of other coins circulated side by side, and at a fixed relative value, copper coin being legal tender to the extent of £5. But even these expedients were not sufficient to meet the increasing scarcity of a circulating medium, and in 1812 the Government sanctioned the issue, by private individuals, of promissory notes payable on demand in copper coin. This privilege of free issue was of course abused, and it was soon found that promises to pay were issued by persons of no means. When, however, Mr. Brett explains that the weight of the copper equivalent to 5*s*. was nearly two pounds (change for a £5 note being equal to 37½ lbs. of copper coin) it is not surprising that the notes passed from hand to hand with considerable freedom, notwithstanding the dubious reputation of many of the issuers.*

Passing on to the gold discoveries, Mr. Brett draws a vivid picture of the "new rushes" and the "pegging out" and "jumping" of claims. The precarious title to these mining claims rendered continuous possession of them almost necessary to the maintenance of the rights acquired, as a claim taken up and apparently abandoned by the owner was liable to be "jumped" by any new comer; the miners, therefore, commonly worked in parties of two or three, so that one at least might always be on the spot to hold the ground. This led to the branch bank managers visiting the diggers at their claims to take charge of the gold they had to sell. Mr. Brett's description of the itinerant banker is almost sensational; he traversed the country on horseback, his gold strapped to his saddle, the bridle in one hand, and the pistol in the other; at night the counter was his bed and the police-station his strong-room. Assuredly, such a life is not suggestive of great personal comfort, but many a bank clerk, working by gas light in his dingy office in London on a damp foggy day in November, will envy the lot of his brother officer at the gold fields, who enjoyed such an active roving life under the cloudless sky of the

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* A curious discovery of some of the old silver coins was lately made on the estate of Mr. John Rae, the valley near Springwood, on the Blue Mountains. A pig rooting in a paddock near the homestead brought some old coins to view, and by a very brief search about the spot a dozen were found, the oldest bearing date 1804, the most recent 1826. There are amongst them Spanish dollars, bearing the heads of Carolos and Ferdinand; also one of those rare old coins known in early Colonial days as the "holey dollar," from which the dumps were cut, a five shilling dollar of the Bank of England, and four lion shillings, date 1826; also, two Indian coins in an excellent state of preservation. The dates on the shilling would seem to indicate that it had remained buried for about fifty years.

sunny South. These brief allusions to the condition of early Australasian Banking, while serving in some measure to indicate the scope of Mr. Brett's comprehensive paper, will show the nature of the soil in which Australian banking institutions were planted, and will thus be useful as marking a period from which their marvellous progress may be traced.

A brief historical sketch of the principal Australian banks from a London official's point of view may be interesting at the present time, when the subject of Australian banking has been engrossing a little more than usual of public notice.

It will be found from the tables in Chapter VI. that the Bank of New South Wales does the largest business of any Australian bank. The traditions of the past have to be discarded. Many have long taken for granted that the Bank of Australasia was by far the most powerful Australian bank, followed by the Union Bank of Australia and the Bank of New South Wales. Few in this country will be prepared to find the last-named bank so far in advance of its competitors. It is not very easy to say why such a feeling should exist; possibly from a habit we have of taking things for granted. We are not so much accustomed to banking statistics here as they are in the Colonies and in the United States: very likely the imposing and substantial premises long occupied by the Bank of Australasia in Threadneedle Street, in the very heart of the City, may have had some effect upon our minds. It is one of the few Australian banks which occupy a commanding position in the City proper.

TABLES SHOWING PROGRESS OF THE OLDER BANKS.

The following tables (Total of Assets) show not only the progress of the older banks, but also indicate the expansion of banking business in New South Wales, Victoria, and South Australia, during the last twenty-one years :—

NEW SOUTH WALES.

	1861.	1882.
	£	£
Bank of New South Wales	3,090,260	7,833,526
Commercial Banking Company of Sydney	1,527,541	7,711,583
Australian Joint Stock Bank	1,338,878	3,928,260
Union Bank of Australia	685,052	1,697,146
Bank of Australasia	838,844	1,680,675
London Chartered Bank of Australia	270,639	1,087,098
English, Scottish and Australian Chartered Bank	657,972	1,521,991
Oriental Bank	1,113,320	1,062,494
£	9,522,506	26,522,773

VICTORIA.

	1861.	1882.
	£	£
Bank of Australasia	1,966,437	3,436,967
Union Bank of Australia	1,907,759	3,578,542
Bank of Victoria	2,281,961	4,816,042
Bank of New South Wales	1,738,100	2,937,679
London Chartered Bank of Australia	1,243,317	2,214,783
English, Scottish and Australian Chartered Bank	338,576	1,637,725
Colonial Bank of Australasia	1,346,811	2,556,855
Oriental Bank	1,280,964	1,833,456
National Bank of Australasia	460,138	3,176,441
£	12,564,063	26,188,490

SOUTH AUSTRALIA.

	1861.	1882.
	£	£
Bank of South Australia	705,420	2,491,426
Bank of Australasia	277,199	986,224
Union Bank of Australia	301,106	641,821
National Bank of Australasia	304,135	1,869,782
£	1,587,860	5,989,253

The Oriental Bank Corporation.

A marked feature of the foregoing statement is the position occupied by the Oriental Bank; its assets in New South Wales are £50,000 less than they were twenty-one years ago. The falling off, as will be seen below, is chiefly in the items Coin and Balances due from other Banks; the debts due to the Bank have increased £400,000. In Victoria there is an increase in the assets of nearly £600,000, which arises principally in the item Debts due to the Bank. The following are the particulars :—

Oriental Bank, New South Wales.

	1861.	1882.
	£	£
Coin	200,146	61,614
Bullion	11,148	5,625
Landed Property	28,418	21,506
Notes and Balances due from other Banks	332,161	13.100
Debts due to the Bank	541,447	960,649
£	1,113,320	1,062,494

Oriental Bank, Victoria.

	1861.	1882.
	£	£
Coin	153,761	88,478
Bullion	132,650	39,127
Landed Property	40,000	10,000
Notes and Balances due from other Banks	26,875	16,654
Debts due to the Bank	927,628	1,679,197
£	1,280,914	1,833,456

During the same period its deposits in New South
increased by £70,000, but in Victoria they have b

Anglo-Australian Banks; Colonial Banks.

Australian Banks are divided into what may here be termed two classes; first, those having their head offices in London, and which are known as Anglo-Australian Banks, from the fact that they were established in this country; the second class being those with branches or agencies in London, while their head offices are in the Colonies; the latter being generally known as the foreign Colonial Banks. It is not easy to arrive at any definite conclusion as to the opinion of the colonists upon these two classes of Banks, but there appears to exist a stronger sympathy towards the Colonial Banks. It should not, however, be forgotten that banking facilities in the early days were largely due to the establishment in London of Anglo-Australian Banks.

There seems to be a strong antipathy on the part of the purely Colonial Bank officer against the Banks taking their origin in London, Possibly this "trade" animosity may have arisen from the custom, long prevalent, of sending out their Chief Officers, Inspectors and such like, from this country, selected from the various Joint Stock Banks, more especially those of Scotland and Ireland. This subject has been lately fully discussed in the columns of the *Australasian Insurance and Banking Record*, and whatever may have been necessary in the early days of Australian banking, nowadays, with so many large Banks, Australia is perhaps now able to train officers well qualified to take the highest positions in her banking system; probably, officers intended for the higher posts ought to be afforded an opportunity of gaining a practical acquaintance with the details of Australian banking in London. Many of the London officers know only the London part of the business, and an occasional temporary exchange of officers would have many advantages. So, at all events, said the Chairman of a Colonial Bank, at a half-yearly meeting, six or seven years ago.

This feeling against "foreign" banks is also found at the Cape, for at the last meeting of the Standard Bank of South Africa, Limited, the chairman stated that a large local proprietary would be very advantageous, and would remove an objection which had sometimes been stated against their institution of being a foreign bank; he pointed out that this was an erroneous view of the bank as would be seen from the fact that for the last few years they had paid a larger amount of dividend to their

colonial shareholders than any other colonial (Cape) bank. It is almost incredible that a feeling of this kind should exist against a bank so identified with Cape business and with a paid-up Capital and Reserve of a million-and-a-half. The natural feeling, one would have thought, would be one of satisfaction that there was a powerful trustworthy bank in their midst, resting on such a solid basis, free from the local jealousies and influences ever present in a system of small banks.

The most convenient plan of taking a survey of Australian banking will be to divide the subject into three chapters :

Chapter II.—Anglo-Australian Banks : that is, Banks whose Head Offices are in this country.

Chapter III.—Colonial Banks : that is, those whose Head Offices are in the Colonies.

Chapter IV.—Defunct Banks.

CHAPTER II.

Anglo-Australian Banks : their Capitals and Reserves ; the Union Bank of Australia, Limited, and the Bank of Australasia ; the Bank of South Australia ; the London Chartered Bank of Australia and the English, Scottish and Australian Chartered Bank ; the Oriental Bank Corporation ; the National Bank of New Zealand, Limited.

ANGLO-AUSTRALIAN BANKS : THEIR CAPITALS AND RESERVES.

THE following tables show the capitals and reserves of the Banks with head offices in London, and the result which has attended their operations during the last twenty years. The National Bank of New Zealand, Limited, being of recent origin, is placed at the end of the list, and its present position only is given.

1862.

	Paid-up Capital.	Reserve.	Dividend.	No. of Branches and Agencies.
	£	£		
Union Bank of Australia	1,000,000	200,000	12 %	22
Bank of Australasia	900,000	200,000	10 %	19
Bank of South Australia...................... (then South Australian Banking Co.)	400,000	84,000	10 %	5
English, Scottish & Australian Chartered Bank	500,000	22,000	6 %	6
London Chartered Bank of Australia ...	1,000,000	25,000	7 %	11
£	3,800,000	531,000		

1882.

	Paid-up Capital.	Reserve.	Dividend.	No. of Branches and Agencies.
	£	£		
Union Bank of Australia	1,500,000	830,000	16 %	64
Bank of Australasia............................	1,200,000	382,000	12 %	107
Bank of South Australia.....................	800,000	250,000	10 %	31
English, Scottish & Australian Chartered Bank	720,000	140,000	9 %	51
London Chartered Bank of Australia ...	1,000,000	90,000	6 %	27
£	5,220,000	1,692,000		280

	Paid-up Capital.	Reserve.	Dividend.	No. of Branches and Agencies.
	£	£		
National Bank of New Zealand, Limited	350,000	10,000	7%	25

The Union Bank of Australia, Limited ; The Bank of Australasia.

Of Anglo-Australian Banks, by far the most successful have been the Union Bank, established in 1837, and the Bank of Australasia, established in 1835. It need scarcely be said that they have been very energetically managed, and have established themselves in all the most important business centres of Australia and New Zealand ; the Union having also a branch in Fiji. This Bank is the only one represented in every Australian Colony, while the Bank of Australasia has extended its operations to all but one. According to the first table in Chapter VI., the Union Bank is second in total amount of business done in the Colonies, while the Bank of Australasia takes third place, and it will be interesting during the next few years to watch the progress of the pair, and see the effect on the position of the Bank of Australasia of the addition to its resources and power from the recently authorised increase

to its capital and reserve. It is also worthy of notice that two of the Colonial banks (the Bank of New Zealand and the Commercial Banking Company of Sydney) are making rapid strides towards taking second and third places respectively in amount of business transacted in the Colonies.

Nevertheless, the position of the two first-named banks is truly astonishing; confronted at every step, whether in South Australia, Victoria, or New South Wales—in fact everywhere except in Fiji—by powerful and influential local institutions, whose shareholders naturally desire to take their business to the Banks in which they have invested their money, they take almost the first place in the Australian banking world. They seem alive to the fact that they must not rest on their past laurels, but must use fresh exertions still further to strengthen their position and extend the basis of their operations. They endeavour to strengthen their position by securing the influence of a local proprietary, a course which must eventually be adopted by all Anglo-Australian Banks desirous of holding their ground in the Colonies.

The commercial affairs of Australia, as seen from the reports of the Banks, appear to be for a year or two in a state of great depression ; then we are told of revival of trade and enterprise, and a renewed demand for banking facilities. The official manager, under the winding-up order (which will be referred to in a subsequent chapter), of the Royal Bank of Australia, describes the state of extreme depression to which the Colonies were reduced about the time that bank was founded in 1841 ; the report of the Union Bank, given below, speaks of the same period of depression. Another wave of depression broke over the Colonies in 1854, and in 1857 the Chairman of the Union Bank stated that the recovery from the derangements of commercial affairs in 1854 had not been so speedy as was anticipated, but trade was gradually and steadily assuming a more healthy condition.

Subjoined is the Report of the Union Bank, presented at the Sixth General Meeting, held in June, 1844 ; it will be interesting as a comment upon the state of monetary affairs existing at that early period, and it does not differ very much from the reports to which the present generation has become accustomed, from time to time, during the last fifteen or twenty years :—

"In the Supplementary Report, presented at the Special General Meeting in January last, the Directors gave a distinct view of the depressing state of commercial affairs in the Australian Colonies, and of the grounds upon which improvement might at no distant date be expected. The accounts since read confirm, in every respect, the representations then made. The sacrifices which have been submitted to, in the efforts to realise property for the discharge of pecuniary engagements, have been enormous, and several additional failures have, in consequence, been announced, each adding to the embarrassment, and at the same time diminishing the available resources of the community.

"Under such circumstances it could not be expected that any banking establishment should escape loss. But it has been satisfactory to the Directors to find that the sum heretofore reserved to meet bad debts has proved sufficient to cover the amount ascertained to be bad up to the date of the last advices. The amounts, however, present a heavy list of doubtful debts, for which no adequate security is held, and as the reserve previously made for bad debts is nearly exhausted, the Directors have determined to transfer to that reserve from the present year's profits a further sum of £15,000, which exceeds the entire amount of such doubtful debts, some portion of which, however, the Directors still hope may be recovered. This heavy deduction, which appears greatly to reduce the profits of the present year, belongs, in reality, to the transactions of former years, and should rather be regarded as a diminution of the balance of undivided profits, stated at the last Annual Meeting."

Turning to the reports of the Bank of Australasia, we find that in 1872 there was such a redundancy of money in the Colonies that considerable amounts were sent to this country for employment. A curious feature of colonial banking is exemplified in one of the reports of this Bank, at a time when the colonies were emerging from one of the periodical states of "redundancy of money." We learn from the report that the advance in the rate of interest in the Australian Colonies had resulted from the increasing legitimate demand for banking accommodation, and the Directors were looking forward to the employment in the Colonies of all the resources of the bank at an early date. At the meeting to which this report was presented, the Chairman (Sir J. B. Darvall), in answer to a question from a shareholder, said that all the money borrowed by the Bank on deposit had been paid off. This, presumably, refers to money taken up on fixed deposits in this country, and which they had apparently just been able to get rid of, when a fresh demand for accommodation sprang up in the Colonies, and money from England was finding its way there. A question naturally arises whether, when there is a temporary glut in the colonial money market, it would not be better to retain the deposits even at some temporary loss of interest, so as to be able, when the next inevitable period of expansion arose, to take full advantage of their resources in securing a large share of the fresh business. There is at present a "boom" in Australian banking affairs, causing large [illegible] an extraordinary general

meeting of the Proprietors of the Bank of Australasia was held in January last to consider a resolution to increase the capital of the Bank by £400,000 by the issue of 10,000 new shares of £40 each. Mr. M. R. Smith presided, and stated that the Directors were unanimous in recommending the proposed increase of capital. The following extract from his speech shows concisely what is to be said for and against increase of capital, and may be of use to the chairmen of some of the Banks, who will soon have to deal with the question of increase of capital:—

"There were many objections. In the first place, it was obvious that an increase of capital would necessarily require an increase of profits to maintain the normal dividend. Under the former regulations of the charter it was practicably impossible to do what was now proposed; but they were now in a position to issue new shares at a considerable premium, and the directors were not foolish enough to offer new capital without being fully persuaded that they would be able to maintain the dividend hitherto received. A second objection, which was put before him the day before very authoritatively by a great financier, was that a bank like that ought to manage its deposits and resources so as not to require additional capital. There might be something in that if the position of that bank were like that of the London and Westminster Bank, but in the Australian Colonies, if a bank was to maintain a high position it must have a very large capital, and therefore the minds of the directors were made up about the matter. A third objection which might be reasonably urged was that a short time ago the resources of the Bank were in excess of the demands; but that objection was met by the increasing prosperity of the Colonies, and he believed that with their future growth every penny of what the Board now asked for would be required. A fourth objection was that it would be a cheaper plan to take deposits in this country to a larger extent. That sounded reasonable, but in case of any great stringency in the money market, or of any great financial disaster in this country, the deposits might be withdrawn just at the time when they were most wanted. On the other hand, the advantages of an increase of capital were obvious. It would give them a corresponding increase of power and of influence, and the means of extending their business in those directions where it was necessary that they should be represented; and the mode of issue would enable them to make a magnificent addition to the reserve, which would for the first time in the history of the Bank be commensurate with its importance."

Like Australia, the Union Bank and the Bank of Australasia are in "their first vigorous youth," and possessed of vigour and energy sufficient to prevent their being left behind in the race. Although not first in amount of business transacted, the Union Bank of Australia will by many be considered the chief Australian bank. The statistical tables in a subsequent chapter prove that, of the large Australian banks, it affords by far the broadest basis of security to its customers, resting as it does on such a grand foundation of paid-up capital and reserve, and with a still larger reserve liability on the part of its shareholders. Its career from its earliest days has been unexampled success. From 1839 to 1853 its reserve fund was continuously augmented, and

in that year amounted to £200,000, and remained at that figure for some years. Their capital was then £820,000, and it may be interesting to record some of the dividends distributed to the shareholders about that period:—

1852,	dividend of	19	per cent.
1853,	"	40	"
1854,	"	31	"
1855,	"	28½	"
1856,	"	20½	"
1857,	"	19½	"
1858,	"	20	"

The Bank of Australasia, on the other hand, in its earlier days had a more chequered career before arriving at its present high position. In 1844 its paid-up capital was £900,000, and up to that time the shareholders had received good dividends, but a disappointing interval now occurred as will be seen from the following statement:—

A dividend of 1½ per cent. seems to have been paid in April, 1846, but at the meeting held on 22nd June of that year it was announced that dividends would be suspended for the present, the losses (including costs *re* Bank of Australia) exceeding £150,000. In 1847 there were more losses, and disagreement arose between the Colonial Superintendent and Mr. Atherton, a director, the result being the removal of the former.

In	1845	the dividend	was	4½	per cent.
"	1846	"	"	1½	"
"	1847	"	"	*nil*	
"	1848	"	"	*nil*	
"	1849	"	"	1½	"
"	1850	"	"	3	"
"	1851	"	"	4	"
"	1852	"	"	5½	"
"	1853	"	"	15	"
"	1854	"	"	17½	"

For the next five years the dividend was at the rate of 20 per cent. and its progress since that date is too well known to require further comment. At the last annual meeting the Directors intimated that upwards of £9,000 had been set aside for the purpose of giving gratuities to all the officers of the Bank for their successful services during the past year. A dividend was at same time declared of 12½ per cen[illegible] 12s. per sh[illegible]

The Bank of South Australia.

This Bank, in its comparatively narrow sphere, has achieved considerable success. It is singular that the promoters of a Bank, originating in this country, should have restricted its operations to one corner of Australia, instead of leaving it free to use its resources in any part of the Australian Colonies. Some years since they obtained the authority of the Lords Commissioners of Her Majesty's Treasury to the increase of the capital, with the object of forming a local Colonial constituency, "so long recognised to be essentially conducive to the permanent success of the institution." The Bank (incorporated by Royal Charter) was established in 1841; it seems unfortunate that its charter should prevent it from entering into competition in the other Colonies, and so providing a more extended field for the profitable employment of its capital. This state of affairs might be remedied by limited liability, which is now the order of the day, and, on more than one occasion, Government has advised Banks, when applying for renewal or extension of their charters, to take advantage of the Limited Liability Acts, and register under them. In its present prosperous state the Bank of South Australia has a paid-up capital of £800,000, a reserve fund of £250,000, and pays a dividend of ten per cent. It has, however, encountered difficulties. The Colonial manager, in 1857-8, by injudicious advances in connection with grain speculations, involved the Bank in a loss of £50,000 or £60,000. They do not appear to have been very happy in realising some of the grain; the following is the Chairman's statement:—

> "One cargo was shipped to Singapore, where there was no market for it, and it was sent on to Madras, where there was no market for it, except for a small portion of bran, and the remainder was forwarded to Calcutta, and they only got a beggarly sum of £200 or £300 for it. He could only add—*ex uno disce omnes!*"

Mr. Divett was chairman at this meeting, and seldom has a chairman had a more difficult task in dealing with irritated and over-inquisitive shareholders. There was, however, no flinching on his part, and in the performance of his somewhat unpleasant duty he displayed remarkable tact and ability.

It has always given a fair return to its shareholders, except in 1844-5, when there was no dividend. Its small reserve fund disappeared in 1845, but next year it was recommenced, and a dividend of 4

cent. declared. The result of the Bank's operations gradually improved, until in 1853 the dividend was 12 per cent., and in 1854-5 was 14 per cent. This high dividend was probably in some measure due to the action taken by the South Australian Government,* in coining Victorian gold with the object of attracting money, and of staying the exodus of its population. Business seems to have been so profitable in 1857 that the large loss incurred in that year scarcely affected the position of the Bank as to dividend and reserve.

The London Chartered Bank of Australia, and the English, Scottish and Australian Chartered Bank.

These Banks have not been looked upon as very successful. The London Chartered Bank has an enormous paid-up capital relatively to its business, and its deposits are very small compared with its capital.

It is one of the few Banks which have about the proportion of capital to liabilities which the late Mr. Gilbart thought to be necessary. When the charter was renewed in 1873 the chairman gave an interesting account of its history. The prospectus was issued 31st July, 1852, and its capital was subscribed several times over in the first two days. Its preliminary expenses were wonderfully small; apart from advertisements and law expenses they amounted only to £34. It began business simultaneously, on the 1st July, 1853, in Melbourne and Sydney, and the chairman added truly that in point of public estimation and respect it stood second to no other Bank in the colonies.

It was with the greatest difficulty that their charter was renewed. It was at first absolutely refused by the Treasury, and they were referred by Mr. Lowe, then Chancellor of the Exchequer, to the Limited Liability Act and told that their proper course was to register the Bank under that Act. They took the opinion of "eminent counsel" on the subject, and that opinion will seem very strange at the present time. They were advised that the English Act, framed and passed for use in this country, not in Australia, "was in no way adapted for banks carrying on business in Colonies which possessed independent legislation of their

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* Referred to in Mr. Brett's paper in the *Journal of the Institute of Bankers*, January, 18[illegible].

own, and whose Banking laws differed in many respects from those of the mother-country." It is only nine years since those words were uttered, and the most conservative of the old Banks are now availing themselves of Limited Liability, and finding their constituents still manifesting the same confidence in them. Notwithstanding their very large capital it was proposed in 1878 still further to increase it*; the proposal, however, was not carried out.

If they had proposed to reduce their capital it would have brought them more into harmony with the majority of Banks. They could then have paid a higher dividend on the reduced capital, and created a large Reserve Fund. Their business would also probably have been more rapidly extended, for the public seem to favour the institution whose shares stand at a good premium and which pays a high dividend. They do not appear to examine very closely whether the capital paid up affords a sufficient and sound basis for the liabilities incurred. In the case of this Bank the experience of Australian Banks during the last twenty years proves incontestably that one half of the amount of its paid-up capital would have been amply sufficient to inspire confidence. With a high dividend it would have had a "prestige," not as a respectable, safe institution, but rather as a successful Bank.

In 1857 a shareholder (Mr. Tite) strongly urged that, the capital being avowedly too large, the expense of obtaining an Act of Parliament ought not to prevent the return of a portion to the shareholders, but his efforts were of no avail.

The speeches of its late chairman, Mr. W. Fane de Salis, are perhaps more interesting and lucid than most of those of other chairmen of his day. We can only imagine how fascinating they would have been, had he been dealing year after year with a successful Bank paying a high dividend on a smaller capital and accumulating a large reserve.

Its progress at first was not rapid. In 1856 its reserve fund disappeared owing to large losses, the largest item being £23,000, which arose from the Bank having no agencies at the gold diggings. For the purpose of providing means to meet their drafts in London they made an arrangement with a Melbourne firm to act as their agent at the

* This might be in accordance with the maxim contained in the books of the late Mr. Gilbart, but in practice, as manager of the London and Westminster Bank, that gentleman allowed his deposits far to exceed his theoretical proportions.

gold diggings, the Bank supplying the firm with notes to buy gold. The agent got into difficulties, no gold arrived, and a. total loss of £23,000 was incurred. The management of affairs was at this time handed over to Mr. Bramwell, and in 1858 a dividend of 6 per cent. was declared and £10,000 placed to reserve.

One of the most noticeable features in its history is the instability of its reserve fund. With a small paid-up capital, and a considerably higher dividend, a large reserve fund would have been created and a deduction of £30,000 or £40,000 from the reserve would soon have been replaced. In the brief memoir of its late manager, Mr. Bramwell, it is pointed out that its reserve fund is not larger now than when that gentleman retired from its service nearly twenty years ago.

The English, Scottish, and Australian Chartered Bank has sometimes been spoken of as a slow-going concern. Eight or ten years ago the Melbourne correspondent of the *Bankers' Magazine* informed us that "the English, Scottish, and Australian Chartered Bank is quite unknown beyond Melbourne. It has no inland branches or connections. Branches in Ballarat, Sandhurst, Clunes, and other prosperous inland towns, with popular local men as managers, would speedily work benefical changes for this hitherto slow-going institution. We hope to see this Bank emerge from its obscurity and become useful in helping to forward the many industries and resources of the country. It ought to move out of its old track, and make an effort to keep pace with the times."

The following was the chairman's view of the matter expressed about the same time :—

> "This Bank, the latest established of the Australian Banks, has now been twenty-five years in existence; at first, it had to be nursed up in very troublous times, consequently its progress has been slow ; nevertheless, if slow, it has been sure. He was happy to tell them that their business went on increasing and that their prospects in the future were very good."

It seems to have had its full share of the troubles incident to most new institutions, and, in the early years of its existence, the shareholders received but a small return on the capital invested. The gold discoveries apparently did not benefit this Bank as they did the older Anglo-Australian Banks, and some of the local Banks which came into existence about 1852-3. In 1862 the directors had to deal with losses of about £22,000, half of that amount arising from the result of a law suit, which had been in Chancery for some years, in connection with the [illegible] Australian [illegible] Company.

There was some talk about the year 1869 of its extending its business to New Zealand, and it was proposed to annex the now defunct Bank of Otago. That amalgamation did not however take place, and, until recently, they have not displayed the same energy in opening branches throughout the Colonies that has been shewn by their local Australian competitors. At the end of 1876 the paid-up capital of the Bank was £600,000, the reserve £70,000, and a dividend at the rate of 8 per cent. was paid. Its paid-up capital now is £720,000, reserve £140,000, and dividend 9 per cent. It had twenty-six branches in 1876, and they at present number fifty-nine—evidence that it is exerting itself to take higher rank amongst its competitors.

The Oriental Bank Corporation.

This Bank, although so long established in the Colonies, has been looked upon rather as the magnificent Eastern institution, its connection with Australia being scarcely recognised. Possibly there never has been a Bank doing business abroad which has been in such general favour.

Its bad luck of later years followed it first to Sydney and then to Melbourne; in both places its losses several years ago were very severe. The progress of its business in Victoria and New South Wales has already been referred to in the introductory chapter. While in the former Colony its deposits have been doubled, in New South Wales they have remained almost stationary.

A notice has just been issued that a special general meeting will be held on April 19th next, for the purpose of determining whether they shall apply to Parliament for a bill to enable them to register under the Companies' Acts, or shall accept the form of model charter offered by the Treasury to Colonial Chartered Banks.*

The National Bank of New Zealand, Limited,

is the youngest of the Banks with Head Offices in London, and when establishing itself in the Colony was not accorded a very generous reception by the existing Banks.

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* The Model Charter has been accepted.

The application for the act of incorporation in the Colony encountered very strong opposition, partly on theoretical grounds and partly from those connected with other banks. When the bank was opened, it met with very severe competition at the hands of the older banks, much of the business at that time being transacted at a loss.

The directors took an early opportunity of announcing their determination to confine themselves to strict banking business and not in any way to interfere with the merchant's business. Neither directly nor indirectly would they invade the principle of dealing in produce. It was probably necessary clearly to indicate this, because having taken over the Bank of Otago, it would naturally have been supposed that they had some connection with its affiliated company, the Otago and Southland Investment Company.

A curious question arose with the Bank of Otago. That Bank agreed to give them money to pay its notes, and to furnish them with a schedule of the numbers, signatures, and dates of the notes out, but a fire took place and the Bank of Otago was unable to furnish any such schedule.

At its second ordinary meeting, bad debts were spoken of, and although it was established in 1872, its Reserve Fund is not more than £10,000.

It seems not unlikely that this may be the last of the banks with Head Office in London. The mercantile community apparently have no objection to an unlimited number of Land Mortgage and Finance Companies being established in this country to send fresh capital to the colonies, but the progress of this Bank seems to indicate that the Colonists, so far as Banks are concerned, lean with favour to native institutions. This feeling is not confined to Australia; in Canada, all the banks are Canadian institutions with the exception of the Bank of British North America. In California we see American Banks gradually securing the business, and banks established in this country, who have opened branches in San Francisco, find the position very different from what it was fifteen years ago. The same holds good in the East, the Hong Kong and Shanghai Bank, with its Head Office in Hong Kong and having a local proprietary and a Board of Directors in China, goes on prosperously paying a good dividend, and, like the Commercial Banking Company of Sydney, has commenced a secon[illegible] fund for the equalisation of dividends.

CHAPTER III.

Colonial Banks; the Bank of New South Wales; the Commercial Banking Company of Sydney; the Australian Joint Stock Bank: the City Bank, Sydney, and the Mercantile Bank of Sydney; the Bank of Victoria; the National Bank of Australasia; the Colonial Bank of Australasia; the Commercial Bank of Australia, Limited; the City of Melbourne Bank, Limited, &c.; the Bank of Adelaide; the Commercial Bank of South Australia; the Bank of New South Wales in South Australia; the Bank of New Zealand; the Colonial Bank of New Zealand; Banks in Western Australia, Tasmania, and Queensland.

COLONIAL BANKS.

IN the previous chapter we have seen that, although the Anglo-Australian Banks have been very successful, many of them have had difficulties and losses to encounter. It will be found, also, that, at some period or another of the existence of the Colonial Banks, a wave of misfortune has passed over most of them. As a rule, by a firm and fearless policy in the face of disaster, they have retrieved their position and paved the way for renewed, or more often for increased prosperity.

To the student of banking in this country, New South Wales has always appeared fortunate in her Banks. Unlike Melbourne, where small Banks seem continually being started, Sydney apparently favours the growth of large and influential Banks with numerous branches, and in this respect adheres to the views of a high authority, who says that the only way to secure good management is to prevent the formation of small Banks.

One feature which they have in common (but the reason of their action is not obvious to the Banker in this country) is to remain what may be called Local Banks, or rather, the New South Wales Bank does not establish itself in Victoria, and *vice versâ*. The Bank of New South Wales, which has established itself in five of the colonies, is an exceptio[illegible] to this rule, and so is the Federal Bank of Australia, Limited, w[illegible]

was lately started in Melbourne and has established itself in Sydney, by taking over the business of a small Bank, the only one which had made its appearance in New South Wales during the last twelve years. Another feature, common to most of them, is the creation of large reserve funds, rather than a struggle to pay high dividends; this holds out the prospect of their becoming permanent and powerful institutions.

It is not unlikely that some of them may soon be increasing their capital "so as to move forward in unison with the requirements of their customers and of the great Colonies with which they are connected." In the preceding chapter is an extract from the speech of the Chairman of the Bank of Australasia at a late meeting, in which that gentleman shows very clearly the importance of an adequate paid-up capital to secure public confidence. Several of the Banks, both in Victoria and New South Wales, could apparently at the present moment adopt the plan, common to all our banking systems, of issuing new shares at a considerable premium, the latter, of course, to be added to the reserve fund. A moderate addition to their capital in this way would not render necessary any decrease of dividend on the increased capital, and the new issue of shares would provide a considerable addition to the reserve liability of the shareholders, an increase to which will soon become a necessity with some of the Banks whose Head Offices are in the Colonies.

The Bank of New South Wales.

In looking at the position of Banks which have their origin in the Colonies, one instinctively turns to this bank, which it will be seen from the first table in Chapter VI., is far ahead of any of the other banks in the amount of business transacted. Perhaps the position of its business will be perceived more clearly when it is stated that it exceeds the total business of the Bank of South Australia and the remaining 12 banks on the list. What of its strength it owes to the fact of its being the banker to the Government of New South Wales need not be discussed here.

Nearly forty years ago the Chairman said :—

"There is every reason to hope, from the increase of our population, and the consequent development of our trade and the internal resources of the country, for a great and permanent extension of the field for Banking enterprise ; and we are confident that Colonial Banking, with judicious and economical management, will continue to afford a highly remunerative investment for capital."

Its Capital was then £125,000, it is now £1,000,000 ; and on this a dividend of 17½ per cent. is paid, its Reserve being £500,000. So successful has it become that it is the intention of the Directors to call a special meeting of the Shareholders to consider the propriety of amending the deed of settlement, so as to admit of the increase of the reserve fund of the bank.

The following statement shows the measure of its success at the time of the gold discoveries :—

In 1851	it paid a dividend of	10 per cent.,	and bonus of	£5	0	0	per share.
„ 1852	„	10 „	„	£6	13	4	„
„ 1853	„	15 „	„	£3	15	0	„
„ 1854	„	15 „					

And 20 per cent. for the next five years.

This, the premier Australian bank, was established in 1817, and for several years had a very small capital.

Capital in 1825	£9,000
„ 1827	£20,000
„ 1833	£40,000
„ 1836	£100,000

The largest amount of capital prior to its present charter was £200,000. Like many other banks (Home and Colonial alike) it has had it trials. At the close of 1844 its capital was reduced by about £68,000 written off for bad debts, and about £34,000 returned to the proprietors ; but a considerable portion of the amount written off was afterwards recovered, and up to October, 1850, it had paid in Dividend and Bonus £340,000. At that date, a new company was formed and a share register established in London. The following particulars indicate its progress since that time :—

	Capital.	Reserve.	Dividend.	Branches and Agencies.
	£	£		
1862	750,000	212,000	15 per cent.	37
1872	1,000,000	318,000	12½ „	95
1882	1,000,000	500,000	17½ „	143

The Commercial Banking Company of Sydney.

This is the next bank in importance in New South Wales. Its success has been very remarkable, second, perhaps only to that of the Union Bank of Australia, Limited.

It appears to have been originally formed in 1834, with a nominal capital of £300,000, and continued until 1844, when the country branches were withdrawn. The business of the old bank was discontinued in October, 1848, the branch in Victoria withdrawn, and the new bank formed. Its management has been marked with unusual success, as the following table amply proves :—

	Capital.	Reserve.	Dividend.	Branches.
	£	£		
1862....................	320,000	62,000	15 per cent.	16
1872....................	400,000	150,000	17 „	38
1882....................	600,000	620,000	25 „	100

At its last meeting, a dividend at the rate of 25 per cent. per annum was declared ; £10,000 was added to the special reserve fund for the equalization of future dividends, thus increasing the reserve funds to £620,000 ; £10,987 was carried forward to the next account, and a bonus of 10 per cent. was granted on the salaries of the staff.

It may here be observed that all the Colonial banks, so far at all events as their London staff is concerned, are liberal in the matter of salaries.

The Australian Joint Stock Bank.

(*Incorporated by Act of Council,* 1853.)

This is another important Sydney institution. It has now a paid-up capital of £500,000 and a reserve fund of £200,000 ; its usual dividend for many years past has been 12½ per cent. and it has nearly eighty branches spread over New South Wales and the neighbouring colony of Queensland.

In common with many of its compeers it has experienced reverse of fortune. The years 1867-8 were trying times for its directors. Its large reserve was swept away, and £1 per share written off its capital ; but its present position indicates how well it passed through that ordeal, and its subsequent progress has been one of almost uninterrupted success. The operations of the past year have been so successful as to have enabled its directors to grant [illegible] salary to all the members of its staff.

THE CITY BANK, SYDNEY, AND THE MERCANTILE BANK OF SYDNEY.

The latter Bank has a paid-up capital of £300,000 and a reserve of £125,000, and pays a dividend of 9 per cent. It was founded by the Sydney Manager of the Agra Bank; consequently, it may be looked upon as representing what would have been the business of the Agra Bank, if it had continued its Sydney branch, after it was resuscitated. The City Bank has a paid-up capital of £240,000 and a reserve of £95,000. At the meeting of shareholders in January, 1871, the directors had to report very considerable losses. With a view of writing off the whole of the losses, and of providing for every bad and doubtful debt, the directors, after a very careful investigation, recommended that the whole of the losses should be met at once out of capital by writing off £2 per share. In at once boldly providing for all losses the directors ensured for the Bank a continuation of the confidence of both the shareholders and the public. It is the only Sydney Bank without a branch in London.

Both the Mercantile and City Banks seem now alive to the necessity of maintaining their position by having branches throughout the colony. This course has only lately been adopted but ten years hence we may expect to find their operations considerably extended throughout the colony of New South Wales.

BANK OF VICTORIA.

Paid-up Capital, £500,000. *Reserve Fund*, £115,000.

In Victoria there are numerous small Banks, but their number has latterly been decreasing. On referring to the table showing total business in each Colony, it will be found that this Bank (established in 1852) takes the lead, and is considerably in advance of any of its competitors in Victoria. It was the first Bank in Victoria of local growth ; the Banks in Melbourne, until it made its appearance, being branches of Banks, with head offices in London or in Sydney. In its early days it met with some losses ; its Ballarat branch was "stuck up" in 1854, and robbed of a large amount. Nevertheless, its progress was very rapid, and in 1857 a considerable amount was transferred from the reserve fund to capital. In 1859 it was resolved to open in London,

and at the same time a branch was established at Mauritius, under the management of the officer previously in charge of the Sandhurst branch. The advantages anticipated were not, however, realised, and the Mauritius branch was soon withdrawn.

For many years it had pursued a course of great success, its reserve fund having reached nearly a quarter of a million ; but in the beginning of 1879 the Board of Management found themselves called upon to deal with adverse circumstances of an unusual character.

"The general depression in trade, and fall in the value of real and nearly every descriptions of property, together with other causes, had their effect on the business of the Bank ; but, after a searching examination by the Board into the Bank's securities and the losses that had been incurred, and to provide for the same in full, the directors availed themselves of the fund at the Bank's disposal for such purposes, and transferred £115,000 from the reserve fund to the credit of a special suspense account, to provide for such amounts as might have to be written off as bad debts."

Thus read the report for the half-year ending 31st December, 1878.

The present dividend is 10 per cent., and the Chairman, when acknowledging the vote of thanks on behalf of the directors at last meeting, observed that the position of the Bank was now one of great strength.

The National Bank of Australasia.

This is the next local Bank in importance in Victoria; it was established in 1858. It suffered considerable losses and paid no dividend in the first years of its existence, but is now in a very flourishing condition, and acts as Banker to the Governments both of South and Western Australia. It has a paid-up capital of £800,000, and a reserve fund of £310,000. Its business rests on a broad basis, extending throughout the Colonies of Victoria, South Australia and Western Australia, and is transacted at upwards of one hundred branches. It has also a London office and a share register in this country; the shares with £4 paid stand at £8 10*s.* to £9. Many years ago it was resolved to open a branch in Sydney ; this, however, was never done, and the gentleman selected to be its manager now occupies a high position in another Bank. It has met with varying fortune. At the end of 1870, the directors had an unsatisfactory report to present. The sum of £80,000, approximated from [illegible] profits and bad debt account at the previous half-yearly [illegible]

The City of Melbourne Bank, Limited, &c.

The number of small Banks is decreasing under the absorbing power of the City of Melbourne Bank, Limited, which has taken over the business of the Melbourne Banking Company, Limited, and the Joint Stock Bank of Australia, Limited. The enterprise displayed by this Bank, under the present management, promises well for its success. Amalgamation with either of the smaller Banks in Sydney would at once raise it above some of its older neighbours, in regard to paid-up capital and reserve fund; as it is, it will probably soon develop into a large and powerful institution.

The Bank of New Zealand and the Comptoir d'Escompte de Paris have branches in Melbourne, and in the advertising columns of the *Australasian Banking Record* the names of the following Banks are found doing business in Victoria:—

	Capitals and Reserves.
	£
Australian Deposit and Mortgage Bank Limited	123,000
Australian Economic Bank, Limited	41,000
Australian Freehold Banking Corporation, Limited	53,000
Ballarat Banking Company, Limited	98,000
Federal Bank of Australia, Limited	131,000
Land Credit Bank of Australasia, Limited	44,000
Land Mortgage Bank of Victoria, Limited	140,000

At the last meeting of the Land Mortgage Bank the Chairman intimated that the transfer of the Head Office to London was under consideration. The object of the change would be to obtain a new charter in England, which would enable the Bank to collect plenty of money in London, at a much cheaper rate than it could be obtained in Melbourne, and the funds would not be subject to the fluctuations of the colonial money market. The drawback to their present position is that the borrowing powers of the Bank are too restricted.

South Australia.

In this colony, where matters seem to have progressed very comfortably for many years with the National Bank of Australasia and the Bank of South Australia having the lion's share of the business, there

has in recent years sprung up competition from local banks, the principal of which are the Bank of Adelaide and the Commercial Bank of South Australia. Their united business, according to the table in Chapter VI, is within £10,000 of being equal to that of the Bank of South Australia. They have numerous branches, and it would seem as if here also local banks are gradually to take first place. The Commercial Bank is calling up the second instalment on the new issue of shares, while the youngest of all, the Town and Country Bank, finds its business so increasing, that a larger capital has been found necessary and a call has been made. Evidently the Bank of New South Wales is not the only bank whose competition is felt in this colony by the older banks, who have so long had their own way.

The advent of the Bank of New South Wales in Adelaide has been looked upon by some of the prosperous institutions so long established there, much in the same light as the Bank of New South Wales viewed the intrusion of fresh English capital to Sydney many years ago. The chairman of that Bank, however, took the matter quietly, and congratulated the shareholders on their success, "notwithstanding the temporary drawback that may be occasioned by foreign competition, originating in a false view of the position and wants of this community."

If the Bank of New South Wales should be acting in an unneighbourly way towards its competitors in South Australia, it may not be out of place to remind their Board of Management, how their predecessors looked upon the competition in New South Wales, thirty years ago, of new banks whose directors took a false view of the "wants of the community."

The following is the present position of the local banks of South Australia :—

BANK OF ADELAIDE.

(*Established* 1865.)

Paid up Capital	£400,000
Reserve Fund	£145,000

THE COMMERCIAL BANK OF SOUTH AUSTRALIA.

(*Established* 1878.)

Paid up Capital	£324,475
Reserve Fund	£42,000

TOWN AND COUNTY BANK.

(*Established* 1881.)

Paid up Capital	£74,701

New Zealand.

In this colony the Colonial Bank of New Zealand seems quietly gaining ground. It has a paid-up capital of £400,000, and a reserve fund which now amounts to £38,000, considerably larger than the reserve of the National Bank of New Zealand, Limited, which was established in London about twelve months before the Colonial came into existence. The directors think everything now favourable for increased bnsiness and a larger division of profits in the future. A branch, with a local board, was opened in London several years ago; this step was ventured upon at a much earlier period of the Bank's existence than has usually been the case with Australian banks.

The Bank of New Zealand,

Which has just been celebrating the twenty-first anniversary of its corporate existence, does the largest single business in any colony. Its paid-up capital is £1,000,000, and it has a reserve fund of £600,000. At its last meeting, the chairman congratulated the shareholders on the results achieved, and the important position now occupied by the Bank. During the twenty-one years of its existence £1,862,000 had been dispensed in dividends, while their Bank premises had been written down to such an extent that they would be fully warranted in taking credit to their reserve fund for a very considerable further amount. Their uniform endeavour had been to support legitimate enterprise, and although there was much to encourage a confidently hopeful prospect, the chairman pointed out that the rapid general increase of imports afforded a fitting text for warning; that the excessive imports had to be paid for, and that it was necessary to apply a sharp curb to this onward movement. This cry as to over-importing is not confined to New Zealand; from all the colonies there are reports of excessively large imports, but this is nothing new; it is rather the chronic state of the Australian trade. The progress of this remarkably successful bank is referred to in several of the subsequent chapters.

Tasmania, Western Australia, and Queensland.

There are several small banks in Western Australia and Tasmania of whose progress we hear but little in this country. The Commercial Bank does the largest business in the Colony of Tasmania, while the Western Australian Bank does the largest single business in the colony from which it takes its name. The Commercial, which was established in 1832, and has a capital of £115,000, and a reserve of £80,000, has passed a resolution to register as a company limited by shares, but with the right to issue notes, and the directors at once instructed the Bank's solicitors to take the necessary steps to carry out that resolution. The solicitors advise that further legislation will be necessary before the Bank be registered as a limited company. Steps are to be taken at the earliest possible date to carry out the wishes of the shareholders. The shares are to be at £40 each, £10 paid up, £10 liable to be called up for business purposes, and a further sum of £20, liable to be called up in the event of the winding up of the company. Its circulation and deposits have considerably increased, and the figures are now larger than at any time during the history of the Bank, its circulation being £81,000, and deposits £1,250,000.

The Bank of Van Diemen's Land, Limited,

Established in 1823, was reconstructed in 1880, and has a paid-up capital of £98,400 (with a reserve liability of like amount), and a reserve of £6,000. In their last report the directors say:—

> "We are mindful of the fact that you do not yet enjoy your fair share of Government support to which, as a large proprietary consisting of Tasmanian taxpayers, you are entitled. This will have our best attention, and shortly we trust that of the hon. the Colonial Treasurer."

The Bank of Tasmania

Has a paid-up capital of £36,550, and a reserve fund of £10,000, its total liabilities to the public being £110,000.

In Queensland the only local bank is the

QUEENSLAND NATIONAL BANK, LIMITED,

Established in 1872. It will subsequently be referred to when making a few observations in regard to Colonial Government Banking Accounts, and also when referring to affiliated companies. Its paid-up capital is £500,000; its reserve fund, £165,000, and it has thirty-four branches. It has already established itself beyond the Colony of Queensland, having opened a branch in Sydney, and we shall not be greatly surprised to find it extending its operations to Victoria, with a branch in Melbourne.

In this brief and imperfect review of banks originating in the colonies, it has been abundantly proved that as a rule directors have had the courage to face losses, instead of hiding them and distributing large dividends from profits which had been made on paper, but in reality did not exist. When necessary, they have reduced dividends to a point in harmony with the earnings of their respective institutions. They are now reaping the fruits of this policy; every Australian bank which has a branch in London has a handsome reserve fund. Their present position has been attained by a long course of judicious and careful management, and places them on equality with the best-managed banks of any country.

Losses they have incurred, but they are infinitesimal when compared with the losses of banks in this country, whether in London, the provinces, or in Scotland. The history of the Eastern banks cannot stand comparison with the Australian banks; only a few of the Eastern banks of sixteen or seventeen years ago now survive.

CHAPTER IV.

Defunct Banks; the Bank of Australia; the Bank of Auckland; the Melbourne, Sydney and Adelaide Chartered Bank; Tasmanian Banks; Proposed National Bank of Victoria; the Royal Bank of Australia; the New Zealand Banking Corporation, Limited; the Bank of Otago, Limited; the Bank of Queensland, Limited.

DEFUNCT BANKS.

OUR sketch would not be complete without some reference to those banks which have disappeared. Happily, these disappearances are few and far between. Australian Banking has not to record the disappearance of any long established bank of importance. In England the many bank failures which have been witnessed, even by the present generation, include the Northumberland and Durham District Bank, the Leeds Banking Company, the Unity Bank, the West of England, and many others, without mentioning the innumerable failures of private bankers. Scotland is well represented in recent times by the Western Bank of Scotland and the City of Glasgow Bank. Sadlier's Tipperary Bank speaks of Ireland's share of disaster, but in Australian Banking there is no record of any great failure. Such as they are, they were the natural outcome of the policy pursued by the respective directors. A large portion of the funds of the Royal Bank of Australia was borrowed by the managing director, while the Bank of Otago had locked up an amount, nearly equal to its paid-up capital, in a loan to a Provincial Government in New Zealand.

THE BANK OF AUSTRALIA.

The Bank of Australia was established in Sydney on the 26th of February, 1826, and re-organised [illegible]. A bill was brought into the Council by Mr. Wentworth in [illegible] to dispose of certain

real and personal property by lottery. The Lottery Bill was passed in 1845, the bank failed in 1848, and on the 1st January, 1849, the lottery sale took place. The highest prize was lot 1—the Underbank estate, of 8,320 acres of land, 3,700 head of cattle, and 40 horses. When in difficulties, it received considerable support from the Bank of Australasia and the Union Bank of Australia, but this only deferred the final collapse.

The Bank of Auckland, and the Melbourne, Sydney, and Adelaide Chartered Bank.

The Bank of Auckland, a small New Zealand Bank, was wound up in 1866. Another institution, the Melbourne, Sydney, and Adelaide Chartered Bank, held its first regular meeting on 24th July, 1855, although it had already been in existence for three years, having been originally started as the Australian Banking and Gold Importing Company. On a subscribed capital of £9,843, an expenditure (including pending claims) to the extent of £13,000, had been incurred, the outstanding liabilities being about £4,000. Under these circumstances, it is not surprising that the Royal assent to its Colonial Charter was refused.

Tasmanian Banks.

The business of the Bank of Cornwall (a Tasmanian bank) was transferred to the Bank of Australasia, when it commenced operations in the colony of Tasmania. Another Tasmanian bank, the Tamar Bank of Launceston, was incorporated with the Union Bank of Australia. In Heaton's "Australian Dictionary of Dates and Men of the Time," mention is made of another Tasmanian bank, the Derwent Bank, Hobart Town, which was established in 1827. The authorities available to the writer, however, do not state whether it was wound up, or whether it has been amalgamated with some other institution.

Proposed National Bank of Victoria.

Before proceeding to notice the more important of the banks originating in this country, which have disappeared, reference may here be made to a proposal brought under the consideration of the House of Assembly at Melbourne, many years ago, for establishing a National Bank of Victoria. The following were some of the arrangements to be carried out on the establishment of a National bank:—

(1.) A certain day was to be fixed on which the existing banks then issuing notes were to be obliged to confine their issues to the extent of their then circulation.

(2.) Another day was to be named, on which they were to cease re-issuing any notes that might be paid in.

(3.) Finally, a day was to be notified when their notes would no longer be receivable at the Treasury.

Mr. William Westgarth read a paper before the Melbourne Chamber of Commerce, and denounced the scheme so vigorously, as apparently to satisfy the authorities of the day of the injustice of the proposal. After existing institutions, by their enterprise and good management, had familiarised the country with the advantages of a note currency, and established general confidence in its negotiability and value, it was unreasonable that they should suddenly, and without notice, be deprived of the business.

The only further reference to the proposed bank, in banking history, is when the chairman of the London Chartered Bank of Australia congratulated the shareholders of that Institution, that the idea of creating a National Bank of Victoria had been abandoned.

The Royal Bank of Australia.

The Royal Bank of Australia was formed in London in 1840 to carry on the business of banking in the colonies. Its paid up capital was only £45,010, divided among a proprietary of about 150 persons. But the directors, instead of raising the capital, which they required for the purpose of commencing the business of the Company, by calling up the share capital, drew promissory

notes to which coupons representing the half-yearly payments of interest were annexed, and then gave them to brokers and others to be disposed of, and by this means obtained capital with which to commence operations. These promissory notes, subsequent to the dissolution of the Bank, formed the subject of an action in the Court of Chancery in 1854, when Vice-Chancellor Stuart decided that claims under the notes were debts binding upon the Bank, and not upon the individual directors who signed them.

The Chairman of the Bank, Mr. Benjamin Boyd,* was nominally the holder of 6,020 shares upon which there were unpaid calls, secured only by his promissory note for £60,000. He proceeded to Australia in 1841, and remained Chairman of the Bank until he was superseded in 1848.

The Bank was wound up, under an order dated March, 1850. The liquidator's report describes the depressed state of the Australian colonies at the commencement of the undertaking, and the operations of Mr. Boyd in sheep stations, whale fishing, and the building of Boyd Town with the funds of the Bank. A summary of the report will be found in the following extract :—

"The fatal error of the proprietors in this disastrous undertaking was by executing a deed sanctioning any board of directors, however well intentioned (with the privileges of irresponsibility and secrecy for five years) in creating liabilities unknown and to an unlimited extent.

"The Chairman proceeded to a distant colony with the bulk of the Company's funds in his custody, and arrived at a period of ruinous depression—to which it is well known infant colonies are exposed after a career of artificial prosperity.

"Of the various schemes he pursued, instead of banking, the sheep investment could not fail to be unprofitable to the Company, for, while the produce was otherwise applied, the whole of the expenses were discharged from the funds of the Bank. The whale fishery required a constant outlay from the same source without equivalent gain. The cost of building and establishing Boyd Town turned out an entire failure; so that collectively, the loss on Sydney transactions alone, which the shareholders have now to make good, is the difference between such outlay (being £287,895) and whatever the remaining property may produce; in addition to which loss is the expense of interest paid on loans, also dividends and charges of the London establishment in carrying on a losing concern for ten years, while Mr. Benjamin Boyd never invested in money in the Company more than £350 paid upon his shares, and had property delivered up to him in settling with the Bank agent which cost the Company many thousand pounds."

Large calls were made on the shareholders, but a considerable amount was afterwards returned.

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* See Chapter XV.

NEW ZEALAND BANKING INCORPORATION, LIMITED.

The directors of this bank, which was established in 1863, at its first meeting declared a dividend of 10 per cent. on the small paid-up capital, and they also announced that arrangements were in progress for a mutually advantageous connection for the transaction of business with an established Land Mortgage Company; this system of dual-company seemed a necessity, as a feeder for newly launched New Zealand banks in those days. When speaking of affiliated companies, this subject will be more fully noticed. At this meeting the Shareholders passed a resolution to issue the remaining 2,000 shares at a premium of 25 per cent., the premium of £5,000 to be devoted to paying off the whole of the preliminary expenses and the costs incurred in establishing the bank in Dunedin, so that they seemed in a fair way of success. Promoters of companies at that time made large profits, the total preliminary expenses of this Company being £3,000. The New Zealand Banking Corporation was a bank which arose out of an attempt to found a much larger institution in connection with the rest of the Australian Colonies. The subject was much discussed, and after mature consideration the directors came to the conclusion that New Zealand was much the better field for their operations. It was accordingly adopted, and the directors were much influenced in coming to this decision by the success which had attended the establishing of the Bank of New Zealand. They also selected a Colonial committee to act with their manager, and a considerable portion of their capital was placed in the Colony.

In the following year it was reported that the name of the bank had been changed to the Commercial Bank of New Zealand, by an Act of the Colonial Legislature. With the change of name they also obtained the privilege of issuing notes. At the meeting in December, the directors reported that they had received a copy of the Colonial Act of Incorporation, and were giving consideration to its terms. They intimated that they would probably advocate an extension of the bank to take advantage of those benefits which the local act conferred upon them.

This was the position of affairs at the end of 1865, and the London Board had apparently made most judicious arrangements for carrying on the business successfully. At the very outset they had appointed a

Local Board and secured a colonial proprietary, but a circular, dated 22nd May, 1866, was issued to the Shareholders, in which the Secretary said : "I am instructed by the directors to inform you, that owing to the non-receipt of expected remittances, and the concurrent failure of parties indebted to the bank, though against securities believed to be perfectly good, but which at the present time are not realisable, they have not been able to meet their acceptances, &c." It was subsequently explained that their colonial manager had drawn upon them, without providing cover, to a much larger extent than he was authorised. Perhaps the real cause of their collapse was the delay in calling up a sufficient amount per share to provide the necessary capital for the working of their business ; it was of course quite impracticable to make a call in April or May, 1866, although by that time the necessity for increased capital must have been perfectly obvious to the Board of Directors.

The Bank of Otago, Limited,

Was established in 1863, and at a very early period of its existence it had the misfortune to advance a large sum to the Southland Government. This transaction absorbed its funds to such an extent that in 1865 they had to secure large special loans in London to enable them to meet the requirements of their customers. Their capital at that time was £224,000, while their loan to the Southland Government amounted to £160,000.

In 1868, we find the Directors announcing bad debts to the extent of £40,000, in addition to nearly £20,000 at the debit of Profit and Loss Account, and they were then hampered by part of the debt due by the Southland Government. The Colonial Treasurer of New Zealand had now, however, promised to pay the advances off. The following is what the Directors had to say on the situation :—

"The large amount of bad and doubtful debts now ascertained renders it impossible for the Directors to recommend any dividend on the present occasion ; and if passed to the debit of profit and loss account, it might prevent the payment of dividends for a period of two or three years to come. The Directors have given the subject the careful consideration which its importance demands, and they recommend that the estimated additional loss shall be carried to 'suspense account ;' and that the aggregate amount then standing under that name shall be gradually liquidated out of a portion of the profits accruing half-yearly, until it shall be finally extinguished.

The benefit to be derived by the shareholders from the adoption of this course is, that it will enable the Directors to recommence the payment of half-yearly dividends in January next. Under the circumstances referred to, the Directors were at first inclined boldly to reduce the amount of the paid-up capital to £8 per share; and out of the £2 per share so obtained, added to the balance of profit and loss account, to write off the whole sum of £49,095 7*s.* 9*d.*, devoting whatever surplus there might be to the commencement of a reserve fund; but, on consulting eminent counsel, that course has been found impracticable; and the next best course open for adoption seems to be the one above recommended, which will gradually accomplish the object that would have been attained at once by writing off a portion of the capital, while it affords the best means available under the constitution of the Company for retrieving the position of the Bank and giving an early return of income to the shareholders."

Possibly if they had boldly altered the constitution of their Company, and wiped off part of the paid up capital, they would have been in existence at the present moment, as worthy competitors with the Bank of New Zealand. The business of this bank was taken over by the National Bank of New Zealand, Limited, on 1st July, 1873.

The Bank of Queensland, Limited.

This bank was established in 1863, but did not actually commence business in Brisbane until September, 1864, owing to delay in the passing of the local Act, which was necessary to enable it to issue notes and conduct its business in a corporate capacity. In 1865, the directors stated that a large and lucrative business had been established by the Bank, and they confidently anticipated that it would be still largely increased. The colony of Queensland was prospering, and they also pointed out that the pastoral interest would be much enhanced by the facilities which the railways in construction would afford in moving the wool and other produce to the seaboard, while the gold fields were being gradually developed.

This bright picture in 1865 was followed by a report in 1866 which spoke of "the long continued and severe drought" which lately prevailed in the Australian colonies, and had seriously affected the value of all pastoral property, and had likewise caused depression in trade and general business. No dividend was declared, and this the directors attributed entirely to their manager making advances on securities of sheep and cattle stations, saw mills and other buildings; an extraordinary item being £1,600 on the security of a newspaper. The losses arising from this unsound business were provided for as follows:—

Undivided Profit	£7,608
Reserve Fund	3,000
Written off Capital	33,392
Total	£44,000

The paid-up capital was reduced to about £150,000, and the colonial manager was informed that he would be superseded as soon as his place could be filled up.

On the news of the banking catastrophes in London of May, 1866, reaching Queensland, there was a run upon this bank at all its branches, and the manager found himself compelled to close the doors on the 24th of July, 1866.

The following statement will be interesting, as shewing a result capable of being brought about by two years' banking business in Queensland. Apparently the Brisbane Bridge Debentures are the residue of the estate. They were issued by Mr. H. Brockett, the liquidator, in 1875, at 95, and are now quoted at 105 to 106, and bear the guarantee of the Queensland Government:—

BANK OF QUEENSLAND, LIMITED (IN LIQUIDATION.)

Mr. Henry Brockett, voluntary liquidator of the company, submitted to the shareholders of the Bank of Queensland the following report and statement of accounts, showing the position of the company's affairs in Brisbane to 30th June, and in London to 30th September, 1873 :—

"DEBTS.	Unproved.	Proved.	Total.
London	£12 0 0	£158 11 0	£170 11 0
Brisbane—Accounts	1,057 9 1	94 3 8	1,151 12 9
Notes	436 16 8	... ...	436 16 8
	1,506 5 9	252 14 8	1,759 0 5
Dividends on shares unclaimed		197 15 0	
Less claimed as set-off on calls overdue ...		194 0 0	
			3 15 0
Returns of capital unclaimed		297 0 0	
Less claimed as set-off on account of calls overdue		240 0 0	
			57 0 0
Total debts		... ...	1,819 15 5
ASSETS.			
Cash on hand—London		469 19 9	
Brisbane		386 18 5	
			856 18 2
Balance of debts short of cash assets		... ...	962 17 3

Overdue Bills.					
London	£236 19 11		Estimated to yield		
Brisbane	16,552 18 8	16,789 18 7	Has yielded	£5 0 0	
Overdrawn Accounts.					
London	£77 8 9		Estimated to yield ...	75,704 0 0	
Brisbane	160,249 0 0	160,326 8 9	Has yielded, exclusive of debentures ...	129 17 4	75,574 2 8
		£177,116 7 4	Estimated residue of assets after payment of debts		£74,611 5 5

Receipts and Disbursements since last Statement, viz., from 1st July—1st October 1872, to 30th June—30th September, 1873.

Overdrawn accounts and bills on 1st July—1st October, 1872 ...		£177,251 4 8	
Ditto, 30th June—30th September, 1873		177,116 7 4	
			£134 17 4
Brisbane Bridge Trust Account—Price of Allotment			202 10 0
Cash balances, 1st July—1st October, 1872		1,298 16 11	
Ditto, 30th June—30th September, 1873		856 18 2	
			441 18 9
Debts proved and unproved—1st July—1st October, 1872		1,810 3 9	
Ditto, 30th June—30th September, 1873		1,759 0 5	
	£51 3 4		
Premises—Furniture sold in Brisbane			21 12 6
Amount of realised assets since last statement, less cash balance and reduced debts			£800 18 7
	51 3 4		
Costs and charges	689 7 3		
Bill stamps	0 8 0		
Second return of capital ...	60 0 0		
	£800 18 7		£800 18 7

"In my last report you were informed 'that the contractors were progressing satisfactorily with the work of the Brisbane Bridge, and that from the last accounts received it was stated the same would be completed and opened for traffic by the middle of the present year.' This, I regret to say, has not been realised, owing to the difficulty the contractors experience in obtaining iron bark timber for the planking of the bridge, and the municipal corporation refusing to permit the substitution of any other material. It is now said the bridge will most likely be completed and opened for traffic by the end of the present year, in which case we may hope to receive the debenture bonds shortly afterwards. The £25,000 in debentures, to be given to the contractors for work done and materials supplied, have now been lodged in the Australian Joint Stock Bank for security, and will, on completion of the works, be handed over to Messrs. Brassey & Co. The £75,000 in debentures, to be given to the bank on completion of the bridge, are now ready for delivery, and on their receipt no time will be lost in distributing the same amongst the shareholders, and thus enabling me to close this long and weary liquidation.—(Signed) HENRY BROCKETT, Voluntary Liquidator."

At one of the first meetings of the bank, Sir John B. Darvall proposed that a Local Board should be formed at Brisbane. A local Directorate in the circumstances was of vital importance, because the London Board had sent out, as colonial manager, a gentleman in bad health, and who had previously been general manager of one of the Indian banks, and knew nothing of Australian business. Sir John Darvall's prudent suggestion was, however, overruled, and the result already narrated was soon brought about. This bank suspended payment in the colony, while the New Zealand Banking Corporation closed first in London. Winding up was the result in both cases, but while the New Zealand Banking Corporation had apparently taken every precaution to prevent disaster in Australia, the Directors of the Bank of Queensland seems to have taken quite a contrary course. They left the management of their affairs entirely in the hands of one man, without any experience of Queensland, and refused him the assistance of a local board, which, as Sir John Darvall pointed out, could have been obtained without additional expense by reducing the number of Directors in London as vacancies occurred, through the simple process of not filling them up.

CHAPTER V.

Colonial Government Banking Accounts; the Bank of New Zealand and the Queensland National Bank, Limited; the Associated Banks in Victoria; the Bank of New South Wales.

Colonial Government Banking Accounts.

FROM a London point of view, banks which are the sole bankers to any colonial government, would seem to have a marked advantage over their competitors. The Queensland National Bank, Limited, which only came into existence in 1872, and has now a paid-up capital of £500,000, and a reserve fund of £165,000, had at 30th June last, £1,822,135 of Queensland Government money.

The revenue returns of four of the colonies for the quarter ended 30th September, 1882, the particulars of which are taken from the *Australasian Banking Record*, are as follows :—

Victoria	£1,322,640
New South Wales	1,751,419
Queensland	649,183
South Australia	525,170

The above figures show the value of a government banking account to an individual bank. The New South Wales Government Account, with a revenue for the year ended 30th September, 1882, of £7,255,254, must be of great importance to the Bank of New South Wales, and the same is of course true of other colonies where the government account is similarly kept.

The division of the account amongst banks of a certain standing, as is done in Victoria, seems the fairest plan. Mr. Brett points out that this sub-division of the Government banking business is wholesome, and that it is a "safeguard against the violent derangement of trade which may result from the competition of rival banks, and the sudden transfer of exceptionally large deposits from one to another." It will be well to

record here the views of the Chairman of the Queensland National Bank, Limited, on this subject, as expressed at their fourth half-yearly meeting. He said :—

"I think the Colonial Treasurer will before long find that he will be studying the interests of the Colony better by distributing the public account, as it is done in Victoria, amongst the various banks, than by confining it to one bank alone as hitherto."

Possibly, now that the Government banking account has been so long kept with the Queensland National, the views of the Directors, as to division, will be to a certain extent modified.

That the distribution of the account amongst the various banks does not tend to create a combination to extract undue profit from a government, is sufficiently proved by the terms agreed upon between the Government of Victoria and the Associated Banks for the placing of the recent £4,000,000 Four per cent. Loan.

Under clause (*d*) the drafts of the Government on London to the extent of £2,000,000 had to be purchased in Melbourne on 22nd November last, and it is scarcely possible to imagine that any bank could singly have afforded such facilities to a Colonial Government, without being absolutely certain that the Loan would be at once taken up by the public. The associated banks also undertook to advance the £2,000,000 to the 30th June, if necessary, in the event of the debentures not being sold. The following are parts of the agreement :—

"(*a*) The banks to take the usual steps for giving due publicity in London to the intended sale of debentures. The sale to take place at the earliest favourable opportunity after 1st January, 1883.

"(*b*) The minimum selling price of the debentures to be determined by the Government.

"(*c*) The moneys received for the sale of the debentures, and also all other moneys which may in London come into the hands of the banks on account of the Government, to be held in equal proportions by the representatives of the contracting banks in London, and to bear interest on the balances at credit at the rate of £1 per cent. per annum under the Bank of England minimum rate of discount, but not to exceed 4 per cent. per annum up to the 25th September, 1883, and thereafter not to exceed 3 per cent. per annum.

"(*d*) Each of the contracting banks to purchase the drafts of the Government on London at sixty days' sight at par, drawn against the proceeds of the debentures as follows :—

On the 25th September, 1882	£100,000
On the 25th October, 1882	50,000
On the 22nd November, 1882	50,000

And on receipt of telegraphic or other advices of the loan having been floated to purchase drafts in sums not exceeding £50,000 per month on same terms as above, and on the day preceding the departure of the mail.

"(*e*) In the event of any such drafts not being paid at maturity by reason of delay in floating the loan or other cause, such drafts are to be protected in London by the banks.

"(*f*) The proceeds of the Government drafts to be placed with the contracting banks in equal proportions, and to bear interest on the daily balance at credit from 25th September, 1882, as follows:—At the rate of 4 per cent. per annum for 12 months, commencing on 25th September, 1882; and at the rate of 3 per cent, per annum for the remainder of the period during which there may be funds to the credit of the account.

"(*g*) For negociating the loan the banks to be paid 5*s*. per cent. on the amount of the debentures sold, together with the customary brokerage, postage, cost of advertisements, and other incidental expenses."

The non-success of the loan when first issued would affect the Associated Banks but little; on the other hand, if the Government banking account had been confined to a single bank, the result might have entailed serious loss, especially if the bank, in conducting its exchange operations, had calculated on receiving £2,000,000 to £3,000,000 at least, in the beginning of the year. It is scarcely conceivable that one bank could have taken the risk of making arrangements as to its London funds, to the extent of £4,000,000, dependent on the success or non-success of a loan, the issue price of which it had not the power of settling.

The rapid growth of the Bank of New Zealand and the Queensland National Bank, Limited, is perhaps, to a certain extent, to be traced to their Government connexion. This has given them the handling of large sums of money, and in many ways given them advantages not possessed by their competitors. Their monopoly of the Government banking accounts, aided, of course, by good management, has probably been the most important cause of their so soon becoming such powerful institutions. We shall, however, have occasion in a subsequent chapter, in speaking of affiliated Companies, to draw attention to another method which both have adopted—of drawing to themselves a large share of the banking business of their respective colonies. There has been a certain similarity in the plans by which they have secured success, and both seem, in a wonderful degree, to have the sympathy and support of the inhabitants, the one of New Zealand, and the other of Queensland.

While those two banks seem to have received extreme consideration at the hands of their respective Governments, another bank seems to have been treated with but scant courtesy by the same colonies. In 1857, we see the Union Bank of Australia undertaking to pay off the circulation of the Government bank in New Zealand, an institution which was opened under the authority of the Colonial Office at home, but which authority, after a few years experiment, was withdrawn,

They had thus to provide the basis of a large operation in that colony. About that time we also find them contracting with the Lords of Her Majesty's Treasury to take a loan of £500,000. They appear to have contracted for the loan, and taken the risk of placing the bonds with the public afterwards.

They had also to bring out some of the early loans of the Queensland Government, when that colony was so little known that its six per cent. debentures had to be issued at a considerable discount. Its services, however, have long since been discarded by both colonies, the Governments of which seem to prefer lending their aid to the rapid building up of young local institutions, perhaps somewhat oblivious of the assistance rendered by the older banks in early days.

There is one point of very great importance to be considered in reference to a Colonial Government banking account being kept with a single bank. As already stated (on the authority of an extract from the *Sydney Morning Herald*, in the *Australasian Banking Record*), £1,822,135 of Queensland Government money was in the hands of the Queensland National Bank, Limited, £849,191 held in Brisbane, and £973,015 in London, at 30th June last. Is this a fair business risk? There is nothing in the balance sheet of the Queensland National to indicate that they lodge securities with the Government for this huge deposit of public money, amounting to nearly four times their paid-up capital, and nearly double the total liability of the bank's shareholders, its subscribed capital being £1,000,000, of which £500,000 is paid up. £1,822,135 seems a large sum to entrust to a single bank of only recent origin. The account of the Metropolitan Board of Works is kept with the London and Westminster Bank, Limited, and in their last report it is stated that £1,000,000 of stock is lodged as security with the Metropolitan Board of Works. If a bank with nearly £5,000,000 of paid-up capital and undivided profits, and a further liability of £11,200,000 on the part of its shareholders, is called upon to lodge security for an important public account, much more does it seem necessary that a colonial government should insist on some security when it keeps its account with one bank. Possibly this idea was passing through the mind of the Chairman of the Queensland National when he said that the Treasurer would be studying the interests of the colony by distributing the account amongst the various banks. Even if

the Union Bank of Australia had been continued as bankers to the Queensland Government, £2,000,000 (from one customer) would have been a large sum to entrust to it, although it has by far the largest paid-up capital and reserve, and shareholders' further liability of any Australian bank.

The foregoing applies with greater force to New South Wales, its revenue for the quarter ended 30th September being nearly three times as much as that of the colony of Queensland. It is true that the bank which keeps the Government account is not a young institution like the Queensland National, but is the oldest bank existing in Australia. Nevertheless, its paid-up capital and reserve, and shareholders' further liability, only amount to £2,500,000, so that if government funds are placed in its hands to anything like the same amount, as in the case of the Queensland National, it would seem natural that security should be given, to insure the safety of the public money, as in the case of the London and Westminster Bank, and the Metropolitan Board of Works.

The disagreement (for the present of small importance), which has recently arisen in London, is attributed by the seceding bank chiefly to the action of the Bank of New South Wales, in Adelaide. It is probable that the resources of that bank, as the oldest and largest Australian bank, enable it, when thought necessary, to offer better terms than other institutions; at the same time the monetary power, which it is accused of wielding in a tyrannical manner in South Australia, may partly arise from the privilege which it enjoys, of being sole banker to the Governmènt of such a wealthy colony as New South Wales.

The following are the Government bankers for Australia and New Zealand; the agreement for conducting the banking business of the Queensland Government has been extended to the Queensland National Bank for another term of three years, from 11th September, 1882.

Queensland	The Queensland National Bank, Limited.
New South Wales ...	The Bank of New South Wales.
South Australia	The National Bank of Australasia.
Victoria	The Associated Banks.
New Zealand	The Bank of New Zealand.
Western Australia ...	The National Bank of Australasia.
Tasmania	The Commercial Bank (Tas.); the London Agents being the Bank of New South Wales, and the Consolidated Bank, Limited.

CHAPTER VI.

Statistics of Australian Banking ; Total Business of each Bank ; Position of the principal Banks as in their last Balance-Sheets ; Shareholders' Liability of the principal Australian Banks compared with the Munster Bank, Limited, the Birmingham Banking Company, Limited, the City Bank, Limited, the Clydesdale Banking Company, Limited, the London and Westminster Bank, Limited, the Commercial Bank of Scotland, Limited, the North and South Wales Bank, Limited, the Provincial Bank of Ireland, Limited, and the London and County Bank, Limited ; the Comptoir d'Escompte de Paris compared with the London and Westminster Bank Limited, the Union Bank of Australia, Limited, and the Bank of New South Wales.

Statistics of Australian Banking.

THE following tables are taken from the *Australasian Insurance and Banking Record* of October, 1882. An omission in the tables was subsequently corrected, the result of the rectification being that the Bank of New Zealand takes fourth place in amount of business transacted, and stands first as transacting the largest single business in any colony :—

BANKING BUSINESS TRANSACTED IN AUSTRALIA AND NEW ZEALAND.—(Compiled by SCRUTATOR.)

TABLE I.—SHOWING TOTAL BUSINESS IN EACH COLONY, AND TOTAL BUSINESS OF EACH BANK.

	BANK.	N. S. Wales.	Victoria.	New Zealand.	South Australia.	Queensland.	Tasmania.	Western Australia.	Total each Bank.
		£	£	£	£	£	£	£	£
1.	New South Wales	10,825,922	4,284,871	2,150,801	832,990	2,322,336	...	...	20,416,920
2.	Union	2,459,077	5,527,968	3,002,824	804,634	1,119,052	945,172	268,398	14,127,125
3.	Australasia	2,624,351	5,795,176	1,478,365	1,393,877	944,658	632,653	...	12,869,080
4.	Commercial Banking Co. of Sydney	11,376.528	...	...	..	1,021,854	...	...	12,398,382
5.	New Zealand *	1,219,480	...	9,071,642	...	...	...	...	10,291,122
6.	National of Australasia	...	5,135,856	...	2,816,990	...	...	305,991	8,258,837
7.	Victoria	...	8,060,493	...	...	...	...	...	8,060,493
8.	Australian Joint Stock	5,943,207	...	...	...	1,540,645	...	...	7,483,852
9.	E., S. & A. Chartered	2,611,313	2,747,855	...	1,663,573	...	...	...	7,022,741
10.	Queensland National	277,405	...	...	...	4,561,356	...	...	4,838,761
11.	London Chartered	1,305,143	3,492,156	...	...	28,594	...	...	4,825,893
12.	Oriental	1,673,698	2,852,527	...	...	...	...	...	4,526,225
13.	Colonial of Australasia	...	4,022,215	...	...	...	...	...	4,022,215
14.	Commercial of Australia	...	3,932,425	...	...	...	...	...	3,932,425
15.	South Australia	...	...	...	2,807,157	...	...	...	2,807,157
16.	City (Sydney)	2,464,220	...	...	...	...	...	...	2,464,220
17.	Mercantile	2,226,108	...	...	...	...	...	...	2,226,108
18.	Commercial of V. D. Land	...	...	...	...	...	2,078,851	...	2,078,851
19.	National of New Zealand	...	...	2,023,267	...	...	...	...	2,023,267
20.	City of Melbourne	...	1,926,657	...	...	...	...	...	1,926,657
21.	Colonial of New Zealand	...	...	1,600,139	..	...	...	...	1,600,139
22.	Adelaide	...	...	...	1,437,091	...	...	...	1,437,091
23.	Commercial of South Australia	...	...	...	1,360,633	...	...	...	1,360,633
24.	Van Diemen's Land	...	...	...	...	...	838,501	...	838,501
25.	Western Australia	...	...	...	...	...	...	438,290	438,290
26.	Town and Country, S. A.	...	...	...	260,386	...	...	...	260,386
27.	Tasmania	...	...	...	...	...	230,538	...	230,538
	Total each Colony ......£	45,006,452	47,778,199	19,327,038	13,377,331	11,538,495	4,725,715	1,012,679	142,765,909

* This Bank has a branch, but does not make returns in Victoria.

[The figures for Victoria are reducible by amounts of Government debentures held by some Banks, and not distinguished in the statistics from advances.]

TABLE II.—SHOWING THE LARGEST SINGLE BUSINESS IN EACH COLONY.

Colony.	Bank doing largest business.	Amount of its business.
		£
New South Wales	Commercial Banking Co.	11,376,528
Victoria	Bank of Victoria	8,060,493
New Zealand	Bank of New Zealand	9,071,642
Queensland	Queensland National	4,561,356
South Australia	National of Australasia	2,816,990
Tasmania	Commercial of V. D. L.	2,078,851
Western Australia	Bank of Western Australia	438,290

In no case does an Anglo-Australian bank do the largest business in any Colony—local banks invariably take the lead. The Bank of New South Wales, which is represented in five Colonies, and seems about to extend to Tasmania and Western Australia, although it does by far the largest total business, does not do the largest single business in any Colony.

TABLE III.—SHOWING AVERAGE BUSINESS DONE IN EACH COLONY.

Colony.	Aggregate business.	Number of Banks.	Average business per Bank.
	£		£
Victoria	47,778,199	11	4,343,472
New South Wales	45,006,452	12	3,750,537
New Zealand	19,327,038	6	3,221,173
Queensland	11,538,495	7	1,648,356
South Australia	13,377,331	9	1,486,370
Tasmania	4,725,715	5	945,143
Western Australia	1,012,679	3	337,559

THE BANK OF NEW ZEALAND; THE COMMERCIAL BANKING COMPANY OF SYDNEY.

The position of these two banks having been transposed in the list showing the total of business done by each bank in the colonies, an examination of their respective positions, as taken from their last balance sheets, is given below. A comparison of the figures shows the liabilities of the Bank of New Zealand to exceed those of the Commercial Banking Company of Sydney by £3,000,000, and its capital reserve to be greater by nearly £400,000. The proportion of capital and reserve to liabilities, however, is greater in the case of the Commercial; they

also hold £687,000 of Government debentures, while the Bank of New Zealand only holds £222,000 of such securities. It was somewhat surprising to find the Bank of New Zealand, with its branches in Victoria, New South Wales and Fiji, as well as in New Zealand, placed below the Commercial Banking Company of Sydney. From a subsequent table it would appear that the Bank of New Zealand is entitled to rank as the third Australian bank, taking precedence of the Bank of Australasia, and not very far behind the Union Bank of Australia.

BANK OF NEW ZEALAND.

(*Extracted from the Report of* 30*th September*, 1882.)

	£	s.	d.	£	s.	d.
Capital Paid-up				1,000,000	0	0
Reserve Fund				575,000	0	0
Balance of Profit and Loss				109,925	9	11
				1,684,925	9	11
Notes in Circulation	523,428	0	0			
Bills Payable in Circulation	1,781,411	6	8			
Deposits and other Liabilities	7,775,365	16	8			
				10,080,205	3	4
				£11,765,130	13	3

COMMERCIAL BANKING COMPANY OF SYDNEY.

(*Extracted from the Report of* 31*st December*, 1882.)

	£	s.	d.	£	s.	d.
Capital Paid-up				600,000	0	0
Reserve Funds				610,000	0	0
Profit and Loss Account				109,017	3	8
				1,319,017	3	8
Notes in Circulation	523,971	0	0			
Bills in Circulation	8,427	17	10			
Deposits and other Liabilities	6,594,261	3	8			
				7,126,660	1	6
				£8,445,677	5	2

POSITION OF THE PRINCIPAL BANKS.

The following table shows the position of the principal banks, taken from their last balance sheets. The Bank of New South Wales still holds first place, but, as already indicated, the Bank of New Zealand takes higher rank than is allotted to it in the table taken from the *Australasian Insurance and Banking Record*, which apparently only deals with the colonial business of the various banks. As all the banks have a certain portion of funds in London, their relative positions will perhaps be more accurately ascertained from the subjoined statement:—

	Capital.	Reserves and Undivided Profits.	Liabilities to the Public.	Total.
	£	£	£	£
1. Bank of New South Wales (31st Oct., 1882.)	1,000,000	625,000	14,126,000	15,751,000
2. Union Bank of Australia, Limited (31st Aug., 1882.)	1,500,000	1,021,000	9,595,000	12,116,000
3. Bank of New Zealand* (30th Sept., 1882.)	1,000,000	685,000	10,080,000	11,765,000
4. Bank of Australasia (16th Oct., 1882.)	1,200,000	479,000	9,252,000	10,931,000
5. Commercial Banking Company of Sydney (31st Dec., 1882.)	600,000	719,000	7,126,000	8,445,000
6. National Bank of Australasia (30th Sept., 1882.)	800,000	445,000	6,109,000	7,354,000
7. Australian Joint Stock Bank (31st Dec., 1882.)	500,000	246,000	5,058,000	5,804,000
8. Bank of Victoria (31st Dec., 1882.)	500,000	151,000	5,081,000	5,732,000
9. English, Scottish, and Australian Chartered Bank (31st Dec., 1882.)	720,000	214,000	3,844,000	4,778,000

* Since the above went into the hands of the printers another Half-yearly Report of the Bank of New Zealand has arrived, shewing—

Capital and Undivided Profits	£ 1,699,000
Liabilities to the Public	10,833,000
Total	£12,532,000

The Union Bank of Australia, Limited, is far ahead of any of its competitors in the matter of capital and reserves. Notwithstanding this, at the last meeting, the chairman informed the shareholders that their resources must be increased, if they are to keep pace with colonial progress. He pointed out to them that the necessity of adding to reserves out of profits, or of otherwise increasing their capital, was forcing itself upon the directors of most of the colonial banks, the soundness of this policy being proved by the increased requirements of their customers in the prosecution of legitimate and prosperous enterprise. "This increased demand," he said, "will grow with the ever-spreading area of a newly occupied country, and the banks must be prepared to meet it." He also added, "Everything at the moment looks prosperous, and promises to last so; but sooner or later change will come." This experience has been several times referred to in previous chapters; the period of prosperity and inflation is certain to be followed by the corresponding period of depression, from whatever combination of causes the depression may arise.

The order of the banks as to capital and reserves is very different to the order as to total liabilities. The Bank of New South Wales is relegated to fourth place in amount of capital and undivided profit, while the English, Scottish, and Australian Chartered Bank rises to seventh place, leaving the Bank of Victoria ninth in the list.

It may be interesting to close this statistical chapter with a Table, showing the paid-up capital, reserves, and shareholders' further liability, and the proportion which the capitals and reserves bear to the total liabilities to the public of each bank. The Bank of Australasia, as to capital and reserve, is in a state of transition, and the Bank of Victoria occupies an exceptionally low position, owing to the large amount withdrawn from the Reserve Fund a year or two ago.

For purposes of comparison, a further Table is added, showing the percentage of Proprietors' capital and reserves to total liabilities of several of the leading London, English Provincial, Scotch and Irish banks. No Indian bank is included in this list, their liabilities on bills payable, &c., being so large as compared to their liabilities on deposit and current accounts, as will be seen from the following statements :—

ACCEPTANCES, &c.

	1878.	1882.
	£	£
Chartered Bank	5,176,000	3,775,000
Chartered Mercantile	4,916,000	3,685,000
Oriental	6,995,000	3,788,000
£	17,087,000	11,248,000

DEPOSITS AND CURRENT ACCOUNTS.

	1878.	1882.
	£	£
Chartered Bank	2,492,000	4,485,000
Chartered Mercantile	3,991,000	3,423,000
Oriental	11,894,000	8,245,000
£	18,377,000	16,153,000

It is obvious that a comparison of their total liabilities with those of English or Australian banks would be of little value; what might be sufficient capital for considerable exchange operations, might not be adequate for a bank with large permanent liabilities on current and deposit accounts.

Table I. shows proprietors' capital and undivided profits, total liabilities to public, percentage of capital and reserve to liabilities, and further liability of the shareholders of the nine most important Australian banks:—

	Proprietors' Capital and Undivided Profits.	Total Liabilities to the Public.	Percentage of Paid-up Capital and Undivided Profits to Total Liabilities.	Further Liability of Shareholders.
	£	£	£	£
1. Union Bank of Australia, Limited .... (31st Aug., 1882.)	2,521,000	9,595,000	26·2	3,000,000
2. English, Scottish, and Australian Chartered Bank ...... (31st Dec., 1882.)	934,000	3,844,000	24·2	720,000
3. National Bank of Australasia .... (30th Sept., 1882.)	1,245,000	6,109,000	20·3	1,200,000
4. Commercial Banking Company of Sydney................. (31st Dec., 1882.)	1,319,000	7,126,000	18·5	600,000
5. Bank of Australasia .... (16th Oct., 1882.)	1,679,000	9,252,000	18·1	1,200,000
6. Bank of New Zealand .... (30th Sept., 1882.)	1,685,000	10,080,000	16·7	1,000,000
7 Australian Joint Stock Bank........... .... (31st Dec., 1882.)	746,000	5,058,000	14·7	750,000
8. Bank of Victoria .... (31st Dec., 1882.)	651,000	5,081,000	12·8	1,500,000
9. Bank of New South Wales....................................... (31st Oct., 1882.)	1,625,000	14,126,000	11·5	1,000,000

Table II. shows proprietors' paid-up capital and reserve, total liabilities to public, percentage of capital to liabilities, and further liability of shareholders of nine English, Scotch and Irish banks.

	Proprietors' Paid-up Capital and Undivided Profits.	Total Liabilities to Public.	Percentage of Capital and Reserve to Liabilities	Further Liability of Shareholders.
	£	£		£
Munster Bank, Limited	841,000	2,746,000	30·6	975,000
Birmingham Banking Company, Limited	600,000	2,547.000	23·5	2,574,000
City Bank, Limited	1,475,000	6,276,000	23·5	3,000,000
Clydesdale Banking Company, Limited...	1,707,000	9,167,000	18·6	4,000,000
London and Westminster Bank, Limited	4,644,000	26,091,000	17·7	11,200,000
Commercial Bank of Scotland, Limited...	1,621,000	10,466,000	15·5	4,000,000
North and South Wales Bank, Limited...	765,000	5,335,000	14·3	1,500,000
Provincial Bank of Ireland, Limited......	740,000	5,168,000	14·3	3,540,000
London and County Bank, Limited	3,109,000	28,319,000	10·9	*6,125,850

* At 31st December, when an instalment of £374,150 had been received in respect of New Capital.

The average percentage of paid-up capital and reserves to liabilities is nearly the same in both systems.

English banks ....16·1 per cent.
Australian banks ....17·6 „

The further liability of the shareholders of the English, Scotch, and Irish banks, however, it will be noticed, is very large, while the further liability of the shareholders of the Australian banks is extremely small. The average percentage to liabilities is—

English banks .... 38·4 per cent.
Australian banks .... 15·6 „

The Union Bank of Australia and the Bank of Victoria are strong in the matter of further liability, but many of the other Australian banks, with their ever increasing business, will soon find it necessary to issue fresh capital, so as to create a reasonable further liability on the part of the shareholders in some degree commensurate with the liabilities of the respective banks to the public.

The reserve liability of the shareholders of the London and Westminster Bank, the City Bank, the Commercial Bank of Scotland, and the Clydesdale Bank, is equal to nearly one-half of the total liabilities

of these banks, while the Bank of New South Wales, the oldest Australian bank, with liabilities to the public of upwards of £14,000,000, has only a reserve liability of £1,000,000.* To carry liabilities of upwards of £14,000,000, the shareholders incur a liability of little more than two millions and a-half. With liabilities to the public of nine millions and a-half, the shareholders of the Union Bank of Australia have a total liability of five millions and a-half.

The Anglo-Australian banks hold a much fairer position in regard to the liability of their shareholders, than do the local Australian banks. The Bank of South Australia, to which reference has so often been made, offers very solid security to its customers. In addition to a paid-up capital and reserve of £1,050,000, there is a further liability of £800,000, making a total of £1,850,000, against liabilities to the public of £2,349,000.

In the case of colonial banks, the first consideration in many cases seems to have been to give the shareholders as little liability as possible, or perhaps it is rather that these institutions have far outgrown the expectations of their founders. At all events, the time has now arrived when the question of creating a further liability, on the part of the shareholders, demands the attention of the directors of some of the Australian banks, whose head offices are in the colonies. Their liability, generally, is double the amount of the authorised capital. Unlimited banks in this country, when being changed into companies with limited liability, in most instances made their shareholders liable for three or four times the amount of the paid-up capital, the alteration in liability of the shareholders being generally accompanied by additions to the capitals and reserve funds. An addition to the capital might prevent immediate increase of dividend, or might even cause a temporary decrease, but ultimately it would be advantageous to the shareholders, the more so, if a considerable portion of the additional funds were invested in Colonial Government debentures, instead of being used in the general business of the bank. One of the largest banks recently explained the decrease in amount of Government securities held, by informing the shareholders that a considerable portion had been sold to

* The further liability of shareholders, where not stated in the balance sheet, is taken from *Skinner's London Banks*.

enable the bank to meet the increased requirements of its customers. Few of the Colonial banks are overburdened with investments of a permanent nature, and an increase in this respect would impart greater stability to the various institutions.

The Comptoir d'Escompte de Paris.

As this French bank is now fairly established in Australia, its position as to paid-up capital and liabilities to the public may be compared with one or two English and Australian banks. Its total liabilities to the public are about £9,712,000, and its paid-up capital and reserve * £4,180,000, and there is no further liability on the part of its shareholders. The following is the percentage of shareholders' total liability to the bank's liabilities to the public of the

London and Westminster	60·6
Union of Australia	57·4
Comptoir	43·0
Bank of New South Wales	18·5

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* Including Profit and Loss Account at 1st September, 1882.

CHAPTER VII.

Affiliated Companies:—The Bank of New Zealand, the New Zealand Loan and Mercantile Agency Company, Limited, and the Auckland Agricultural Company of New Zealand, Limited; the Bank of Otago, Limited, and the Otago and Southland Investment Company, Limited; The Queensland National Bank, Limited, the Queensland Investment and Land Mortgage Company, Limited, and the Darling Downs and Western Land Company, Limited; the New Zealand Loan and Mercantile Agency Company, Limited, compared with the English, Scottish, and Australian Chartered Bank.

THIS feature of Australasian banking originated in and for many years existed only in New Zealand, but recently it has extended to other colonies. Ten years ago it seemed to be confined to the Bank of New Zealand and the New Zealand Loan and Mercantile Agency Company, Limited, and to the Bank of Otago, Limited, and the Otago and Southland Investment Company, Limited. The London officers and directors of the latter two companies were identical. When the New Zealand Loan and Mercantile Agency Company, Limited, was established, the directors of the Bank of New Zealand at Auckland intimated their willingness to act as the Local Board of the Company; it was further announced that, although the business proposed was wholly apart from and would in no way interfere with legitimate banking, it was established in direct communication with the Bank of New Zealand, which would enable the company at once to attain a position and an amount of business which could not otherwise be secured for years. How rapidly this position had been attained and how completely maintained was very prominently shown by their chairman at the eighteenth annual meeting of shareholders. Alluding to the report the chairman said:—

"The figures in it spoke for themselves, and hardly required any explanation from him. It was a marked feature of this Company that without intermission there had been paid, almost from the second year of the inception of its operations, the same dividend, and every year, with one single exception, for the last 16 years they

had made a large contribution to the reserve fund. It was a matter of some pride to all of them that it had been the case that through good times and through bad times they had been able to preserve almost like a well regulated clock the even tenor of their way; and although they might hear that times were getting bad in New Zealand, and again, that everything was flourishing there, it really affected them very little, because they found that they were able to make the same dividend. The accounts from the Colony, up to the very latest moment were of the most gratifying character. The temporary depression which some two years ago, or two years and a half ago, existed had entirely disappeared. The operations of the colonists and settlers in every branch of business were being prosecuted with an amount of vigour and heartiness which had hardly ever before obtained, and many old colonists who had visited this country had been delighted on their return with the amount of progress which they had noticed in the interval of two years which had taken place. That they were retaining the confidence of their clients who had dealt with them for many years was proved by the amount of the consignments of wool which they continued to receive from the Colony. Last year, as uniformly for many preceding years, they were the largest consignees of wool from the island of New Zealand, and they were nearly the largest from Australia also. In that they fluctuated from being the largest to the third largest, but from New Zealand they were uniformly the largest."

A part of the business of the Company is to make advances in the Australasian Colonies on produce, on the stations and stocks of runholders, and on the growing clips of wool, and receiving the consignments of wool, tallow, &c., for sale in London. They take care in their prospectus to point out that they enter into no mercantile ventures, and do not buy goods of any description on their own account. This is an important point, and one that is very often lost sight of by newspaper correspondents, when criticising the action of Banks in making advances against wool.

The friendly alliance of the two Companies has been remarkably successful. At the half-yearly meeting, held on the 25th October, 1882, when the Bank of New Zealand attained its majority, the Chairman referred to its prosperous career, and to the position it had attained in the comparatively short period of twenty-one years. Upon a paid-up capital of a million sterling it pays a dividend at the rate of 15 per cent. per annum, while it has accumulated the magnificent reserve fund of £600,000, a result showing rare skill and care on the part of the management, both in London and the Colonies. The Chairman added that it had outgrown the most sanguine expectations of those who were its promoters, and in looking forward he thought that the signs were that the progress would continue, and that it would increase. "Apart, however," he continued, "from the mere profit attaching to our operations, who can estimate the benefits conferred during the past twenty-one years on the commerce of the colony through the

instrumentality of the Bank! While we have led to the accomplishment of much that could not otherwise have been undertaken, we are not slow to acknowledge that a generous support by the public has enabled the Bank to build up a business of which any institution might be proud. Looking to the future, it is on the continued support of the public that we must rely for results, and while, therefore, we cannot command success, we will at least endeavour to deserve it." Such was the bright picture presented by the Chairman, when, a few months ago, the Bank attained its majority.

Turning to the Loan Company we find that, as the result of its last year's operations, the shareholders have received a dividend of 15 per cent. on their paid-up capital of £300,000, besides placing to the reserve fund a sum of £10,000, thus bringing it up to £210,000. The mortgage company takes a leading place among kindred institutions, while the Bank, during a not very long period of existence, has far outstripped many of its longer established neighbours.

We find yet another Company—the Auckland Agricultural Company of New Zealand, Limited, with its subscribed capital of £800,000, of which £320,000 is paid up. The Loan Company's good feeling towards the Agricultural Company is manifested by the fact that its estates, extending to over 100,000 acres, as well as £350,000 of its uncalled capital, are transferred to the New Zealand Loan and Mercantile Agency Company, as trustees for the security of the debenture holders.

It is not surprising that this system of affiliated companies, so mutually advantageous and profitable in New Zealand, has extended to other colonies. In Queensland we find a similar connexion between the Queensland National Bank, Limited, and the Queensland Investment and Land Mortgage Company; Limited. Messrs. Buchanan and Montefiore are directors of both companies in London, while in Queensland the directors of the Mortgage Company are Mr. Drury, the general manager of the Queensland National Bank, Sir T. McIlwraith, and all the directors of the bank, with one exception. The Queensland Mortgage Company, although it has only been in existence for a few years, has now a reserve fund of £40,000. It paid a dividend at the rate of 10 per cent. per annum in January, 1883, and for the six months ended 31st March, 1883, a dividend is announced at the rate of

10 per cent. per annum, and a bonus at the rate of 5 per cent. per annum, making in all 12½ per cent. for the year ended 31st March, 1883.

Here again we find a third company, the Darling Downs and Western Land Company, Limited, with a nominal capital of £1,000,000. The trustees for the debenture holders are the general manager, the chairman, and another director of the Queensland National Bank, Limited, while its directors in Queensland are a director of the Queensland National, and Sir Thomas McIlwraith, formerly a director of that bank.

Combinations of this kind are, if we judge by results, well adapted for young countries. Both in New Zealand and Queensland this union has been attended with good results; to the shareholders in remunerative dividends, and to the colonies in increasing the opportunities of legitimate enterprise, and thus furthering the development of their resources. The banks—in both cases the parent institutions—are instances almost unparalleled of rapid success, and, so far as we can judge in this country, they have, as already pointed out, in a remarkable degree secured the sympathy and support of the public in their respective colonies.

The New Zealand Loan & Mercantile Agency Company, Limited, compared with the English, Scottish, & Australian Chartered Bank.

The influence and importance of the New Zealand Loan and Mercantile Agency Company, Limited, will be very obvious when we compare it with the English, Scottish, and Australian Chartered Bank, an institution of thirty years' standing, which is ninth in importance of the Australian banks :—

	Capital.	Undivided Profits.	Liabilities to the Public.	Total.
	£	£	£	£
English, Scottish, and Australian Chartered Bank, 31st Dec., 1882	720,000	214,000	3,844,000	4,778,000
New Zealand Loan and Mercantile Agency Company, Limited, 30th Dec., 1882	314,000	246,000	4,078,000	4,638,000

So that at the end of last year the total liabilities of the New Zealand Loan Company were only £140,000 short of being equal to those of the English, Scottish, and Australian Chartered Bank.

The word "affiliated" is not to be taken to imply any financial connection—apparent or real—between the banks on the one hand and the mortgage companies on the other; but should such an impression have arisen, a glance at the balance sheet of the New Zealand Loan and Mercantile Agency Company would at once remove it. The figures given above show this company to be a powerful monetary institution, which is not likely to allow its interests to be subordinated to those of any company or bank, and this doubtless holds good in regard to the other companies mentioned in this chapter.

CHAPTER VIII.

Advancing on Produce; Advances against Wool shipped to London as Banking Operations; How do advances by Banks on Wool shipped to London affect the Squatter? Who buys the Wool? Who interferes with the province of the Merchant? What is a Broker? Advances on Tin, Copper, Tallow, &c.

ADVANCING ON PRODUCE.

THE brief outline of Australian banking given in the previous chapters, while showing large losses and occasionally (as in the case of the Royal Bank of Australia and the Bank of Queensland, Limited) disastrous results, amply proves that the business has been exceedingly profitable upon the whole. Losses—large losses—have been made, but that is not peculiar to the Australian banking system. The storms through which the banks have passed only show the solid foundation on which they rest, and every Australian bank, now represented in London, whether by a head office or by a branch, can put on record the experience of many years to prove that they are as carefully and prudently managed as the banks carrying on business in this country. Only a few of the Eastern banks of seventeen or eighteen years ago now remain, while during that period no Australian bank of any importance has closed its doors.

It will be necessary, before discussing the question of advances against wool shipped to London, to show clearly that the legitimate operations of an Australian banker need not be exactly similar to those of this or any other country. He must adapt himself to the wants of the communities amongst whom he has established himself, as does the banker in England, Scotland, the United States of America, and elsewhere.

The receipt of money on fixed deposit renders practicable operations by Australian banks, which, perhaps, could not otherwise be ventured upon. The "Lien on Wool and Mortgage of Live Stock Act" gives the Australian banker a lien on the wool growing upon the sheep's back, and enables him to make pastoral advances about which so much was written some years ago. It was said that this is a condition of business which would not be tolerated in English banking; perhaps so, but that is of no consequence. Bankers must "do that banking that will adapt itself to the business of the country in which they are placed,"— "fit the shoe to the foot; not the foot to the shoe."

For instance, unsecured note issues, like those of the provincial banks of England, or those of Scotland and Ireland, would not be tolerated in America, but they have been an important factor in banking with us for many years. The national banks of the United States, before commencing business, must transfer and deliver to the Secretary of the Treasury, State bonds to the extent of one-third of their paid-up capital. Upon the deposit of bonds being made a bank is entitled to receive from the comptroller, circulating notes to the extent of 90 per cent. of the par value of the bonds if the current market value is not below par, in which case the notes granted are only to 90 per cent. of that value. They are also compelled to keep a certain cash reserve, the legal amount required in New York City being 25 per cent. of their deposits. Another feature of their business is advancing on produce. In his report for 1881 the comptroller of the currency calls attention to a section of the revised statutes, which places restrictions on such loans. The limitation does not apply to loans upon produce in transit, but if produce is stored, instead of being shipped, large loans cannot be made, except in violation of the law. The comptroller recommends that the law should be so amended as to remove restrictions from legitimate business.

Again, the system of loans upon cash credits which has been so long in operation in Scotland would not be profitable for the London banker. In Scotland, when a credit is opened, the applicant is allowed to draw upon the bank for the whole amount, or for such part as he may require. He is at liberty to pay in money to the credit of the ac[illegible] whenever it suits his convenience, and interest is charged up[illegible] daily balance. This suits the Scotch banker becaus[illegible]

circulation of his notes. The Irish banks have to foster the agricultural interests of Ireland; their money flows out in the spring and returns in the autumn; and when it is paid back, there is only a restricted field for its use, and it has to be invested in such securities as are likely to realise the amount when next required.

Turning to France and Germany, we find from the report of M. Roulard for 1876, that the Bank of France, "confined within the scope of its statutes, of which the fundamental bases have experienced no change since 1806, lacks the liberty, the elasticity of action of other financial institutions and societies. It has to restrict its operations to the discount of commercial bills with three signatures, or of Treasury bonds, to warrants based on substantial pledges, and to advances on deposits of certain fixed securities." Some of the business of the Bank of France appears strange to the banker in this country. Of the bills which it discounted during 1876,

6,831	were bills of		£0	8	4	and below.				
419,489	„	from	0	9	2	to	£2	0	0
389,503	„	„	2	10	0	„	4	0	0

The Bank of Germany is restricted by law from discounting bills with more than three months to run, and as a rule the signatures of three persons are required.

These illustrations prove that, while in all countries undoubted security is of paramount importance, banking operations, whether in the matter of loans, discounts or keeping of accounts, vary and are carried out in different ways. In London, money is taken on deposit subject to seven days' notice of withdrawal, in some continental cities a rate will be fixed for three or four months but not longer, while the Australian banker takes money for periods varying from three months to five years.

Advances against Wool Shipped to London as a Banking Operation.

In Australia, as in London, America, and elsewhere, a system of banking has gradually grown up suitable to the wants of the people. A part of the business of some of the most successful of the Australian

banks has long been to make advances to the squatter on wool which is shipped to London to be sold there. It is not necessary to inquire whether an advance has been made on the growing clip, secured by registered lien. We commence our inquiry into the subject when we find the banker's customer, the grower of the wool, desirous of having his wool sold in London, but it is necessary that an advance be made to him on the security of the wool in the meantime. Is this a legitimate transaction for the Australian banker? Is the security easily convertible? Is it likely to entail loss? Is the transaction likely to be profitable?

If the squatter does not sell his wool in the colony, there seems no better channel through which he can send it to this country for realisation than through his banker. If he requires an advance on the wool, the banker, whose branch manager has probably had an intimate knowledge of his monetary transactions for years, must be in the best position to judge of his character and means. The banker can therefore confidently make an advance knowing that there is little likelihood of loss.

As a basis of exchange, it is invaluable to the banker, even more so now than formerly. Much of the wool comes home in steamers, and soon the banker who has advanced to any of his customers on wool will be able to calculate when the proceeds will be available in London with as much nicety as he can at present calculate the due date of a bill remitted.

The imports of colonial wool

1880–81	were	837,226	by sailing ship.
		309,830	by steam.
1881–82	were	777,439	by sailing ship.
		373,228	by steam.

So that of the wool imported from 3rd December, 1881, to 21st November, 1882, nearly one-half came by steamer. It is only a few years since the "Great Britain" was the only regular steamer trading between this country and Australia, while now we have upwards of a dozen different lines of steamships, including steamers from Hamburg and Antwerp, a French line from Marseilles, a line of mail steamers direct to Queensland, and the Government of New Zealand is endeavouring to establish a direct line of mail steamers to that colony.

The banks must in some shape advance against the wool either to the grower direct or by purchasing the merchant's bills. Advances to ten substantial squatters on an aggregate of 10,000 bales of wool, would seem as safe, and the risks better divided than they would be if the bills of one or two mercantile firms were purchased against the same amount of wool.

A visit to the sale-room, while a series of sales is proceeding, will satisfy the most sceptical that the security is readily convertible.

The granting of a loan to the squatter on a security to be realised in London, has been shown to be profitable and safe to the banker, the security can very easily be realised, and it is the legitimate business of a banker to grant a loan to his customer who offers him good security.

Last season a much greater quantity of wool was sold in the colony than during any previous year, and generally at prices which subsequent results shewed to be satisfactory to growers. Every year the number of English and foreign buyers attending the colonial wool market is increasing, and the prices thus obtained may induce the growers largely for the future to sell in Melbourne and Sydney, rather than to ship to London.

There seem indications of large purchases in the colonial market for shipment direct to the continent in the not distant future; this year nearly 20,000 bales were shipped to Antwerp. Messrs. R. Goldsbrough and Co., estimate that about 10 per cent. of the total quantity sold in the colonies during the past twelve months has been taken for direct transmission to the continent. They also state that there is a probabilily of the Austrian-Lloyd Steam Navigation Company running direct steamers between Trieste and the Australian ports. This all points to Australia becoming the great wool market of the future; in fact, they are of opinion that the time is rapidly approaching when the bulk of wool grown in Australia will be disposed of in the colonies. This is not a bright prospect for the London woolbroker, as when manufacturers buy their wool in Australia instead of in London it will be to the interest of the grower to sell in the local market.

Other authorities, however, think that London will long retain its present position, and until the business is diverted to some other centre, it must be to the advantage of the squatter to realise his wool in London, except in cases where he can sell it to a merchant in Sydney or

Melbourne, at such a price as will entail a loss to the purchaser. If he can only sell in the colony at a price which leaves a remunerative profit to the colonial merchant, it is manifestly to his interest rather to obtain an advance from his banker and realise in London. The selling of his wool is purely a commercial transaction, and if the grower sees fit to run the risk of securing a better result by selling in London, it is unjustifiable on the part of the merchant to attempt to dictate to him to sell it in the colony. Of course, houses who *advance* on wool shipped to London, in such transactions are simply acting as private bankers.

We shall now enquire whether the grower of wool is likely to suffer by placing his produce in the hands of his bankers.

How do Advances by Banks on Wool Shipped to London affect the Squatter.

It is necessary to see whether the grower's interest will be sufficiently protected by this course, or whether he would secure a better market for his wool by placing it in the hands of some of those firms who advertise that they are prepared to make "liberal advances on wool consigned to their London houses for sale." The simplest plan by which to arrive at a satisfactory solution of the question, will be to follow the wool from the time the shipping documents are handed to the bank in the colonies, until it passes the hammer in Coleman Street.

If anything arises on the voyage to cause a claim under the Insurance Policies, it is self-evident that the claim can be attended to as well by a banker as by a merchant. It is not necessary to inquire into the mysteries of General Average and Particular Average; it is part of the training of a clerk who has to handle document bills, to get some knowledge of insurance, but it is the business of the professional average stater to make up all claims, and it may safely be said that Particular Average is a question too subtle to be thoroughly grasped in all its details by the majority of merchants or bank officers. If the claim arises under a Lloyd's Policy, an insurance broker will attend to the [illegible] under a policy issued by a company, the bank can

Suppose the ship has arrived in due course, its arrival will have been chronicled in the shipping intelligence of *The Times*, and noted by the clerk, whose duty it is daily to see what are the arrivals from Australia. Probably, before the morning papers have been examined, the bank will have received circulars from numerous wool brokers, intimating the arrival of some ship off the coast; the wool warehouse keepers will next call to see if there is anything in the ship to be placed with them. There is thus little likelihood of the banker overlooking the arrival of any wool upon which his bank has advanced in the colony. After the wool has been given in charge of one of the warehouse keepers, a wool broker will be selected to sell it. The landing weights, &c., will be sent to the bank, and samples to the broker. On receiving landing weights it will be noticed whether the proper number of bales has been received, and whether any of them are damaged. The wool will also be insured against fire, and the broker will furnish a report on its quality, condition, and probable value. During every series of sales the bank officers will, from time to time, have reports from the different brokers as to the course of the market, so that when a day arrives for any of their wool to be put up, they are in a position, after consulting with the brokers, to form a sound judgment as to the propriety of allowing the wool to be sold, if the fair market price of the day be offered.

Such, divested of all extraneous matter, is the simple state of the case. The realisation of a shipment of wool to London is an operation which is reduced to such a uniformity of method as to admit of little or no variation. Consequently, according to Adam Smith, it is possible to be undertaken successfully by a joint-stock company. During the last year, the fluctuations in the money market have been so great that the Exchange banker has almost invariably been at a loss whether to discount his bills at once, hold them over for a day, or for a week. In the morning he may have found rates easy, and in the afternoon have to pay ¼ per cent. more for discount. A review of the wool market, on the other hand, exhibits no such difficulties. For that commodity, it has been a singularly uneventful period, "wherever we look, the characteristic feature is immobility." *

* Helmuth, Schwartze & Co.'s Annual Report.

Who Buys the Wool?

One charge brought against banks, who advance against wool to be sold in London is that the flock-owners' interests "suffer from the ignorance and incompetence of bank managers, who receive shipments which they are incompetent to sell to the best advantage." Scarcely any wool is sold by private contract, but what is in this way disposed of will bring the same price whether in the hands of a banker or a merchant. The buyer is not likely to trouble himself with the question in whose hands the wool is, so long as the wool itself suits his requirements.

As to wool put up in the periodical sales, it is very easy to prove that a manager's assumed incompetence will have no effect whatever on the price. When a series of sales is progressing, it will be noticed that every morning we meet in Moorgate-street a number of peculiarly-dressed individuals, somewhat after the style of well-to-do meat salesmen. Many of them are foreigners, in coloured blouses, most of them have cigarette or cigar, all of them carry blue catalogues. On inquiry, it will be found that they are on their way to or from the warehouses to inspect the wool which is to be sold in the afternoon. None can more accurately estimate the value of a bale of wool; if they see that which suits them, they will judge as to its value, and bid for it accordingly, without any question as to ownership. The purchaser is absolutely ignorant as to the importer for whom wool may be offered; the ownership in some continental catalogues is given, but never in those in the London sales, except by one or two companies, such as the Peel River Land Company, the North British Australasian Investment Company, and one or two others. A buying broker would not give more than its value for any wool to please a merchant, being guided simply by his written instructions; neither would he allow wool, satisfying his requirements, to pass to other hands, at a lower price than he was authorised to bid, because it happened to be in the hands of a banker. Buyers bid for what suits them, whether it be in the hands of a banker, a merchant, or a mortgage company; indeed, were they possessed of the information (which they are not) it would be perfectly indifferent to them. They, having previously examined the wool, know its exact value; [illegible] when that [illegible]ched, the eager shouting and gesticulation

from all corners of the sale-room to catch the broker's eye testify to the keen competition which generally exists. When $\frac{1}{8}d.$ per lb. more is bid for a lot than the majority consider it to be worth, the murmuring and suppressed sibilant sounds which reach the ear express the opinion of the room on the rash purchase.

Who interferes with the Province of the Merchants?

The following are the number of bales of wool received during 1882 :—

By the Banks.

	Bales.
Commercial Banking Company of Sydney	18,362
Bank of Australasia	16,568
Bank of New South Wales	16,301
Australian Joint Stock Bank	9,715
London Joint Stock Bank*	7,850
Mercantile Bank of Sydney	5,768
Queensland National Bank, Limited	2,699
Bank of Victoria	2,451
Union Bank of Australia, Limited	737
	80,451

* The London Joint Stock Bank acts as Agent for the City Bank, Sydney, and the Colonial Bank of Australasia.

By the Mortgage and Finance Companies.

	Bales.
Australian Mortgage Land and Finance Company, Limited	81,597
New Zealand Loan and Mercantile Agency Company, Limited	72,087
National Mortgage and Agency Company of New Zealand, Limited	12.969
New Zealand and Australian Land Company	10,527
R. Goldsbrough & Co., Limited	7,640
British and New Zealand Mortgage Agency Company, Limited	5,558
	190,378

By Private Firms Receiving upwards of 10,000 Bales each.

	Bales.
Dalgety, Du Croz and Co.	83,524
Sanderson, Murray and Co.	55,039
A. L. Elder	40,580
Young, Ehlers and Co.	34,029
R. Brooks and Co.	30,764
F. Huth and Co.	25,488
Leishman, Inglis and Co.	24,693
Redfern, Alexander and Co.	17,414
E. Holt and Co.	15,163
F. E. Sturmfels	14,311
W. Grice and Co.	13,356
A. Barsdorff	13,168
J. Morrison and Co.	[illegible],731
	[illegible]

Of the total wool received during 1882 about seven per cent. was in the hands of nine banks ; eighteen per cent. was in the hands of six mortgage companies ; while thirteen mercantile firms had thirty-five per cent. of the whole import. The Australian Mortgage Land and Finance Company, and Messrs. Dalgety, Du Croz & Co. had each consigned to their care wool exceeding the total upon which the nine banks had made advances. How is it that during the last ten years the merchants have not been crying out against the mortgage companies ? With their debentures for three, four, or five years they are in no better position to grant loans on wool shipped to London than are banks with fixed deposits for three years and upwards.

These companies, many of them only of recent growth, seem to have discovered that the business of advancing on wool and seeing to its sale in London is very profitable. They and the large private firms, not the banks, are responsible for driving the smaller firms out of this lucrative business. This, however, is the ordinary course of affairs. We see the London and Westminster Bank, the Union Bank of London, &c., towering above less successful joint stock banks, while Glyns, Smiths, Barclays, &c., hold an equally proud position amongst private bankers. In like manner the Dalgetys, Sandersons, and Elders, amongst private firms, and the Australian Mortgage Company and the New Zealand Loan Company amongst joint stock companies, have secured for themselves a splendid share of this wool business.

The question, "Who interferes with the province of the merchants ?" was put purely in reference to the periodical correspondence which some years ago appeared in the daily papers, accusing the banks of interfering with the merchant's business.

What is a Broker ?

We have seen that the business of a bank, a mortgage company, and a merchant, at some points almost meet. Is the business of a broker better defined ? It will be found that in many cases he combines with his business of a broker that of a financier as well. The broker in Mincing-lane would get little business if he were not

from all corners of the sale-room to catch the broker's eye testify to the keen competition which generally exists. When ½*d.* per lb. more is bid for a lot than the majority consider it to be worth, the murmuring and suppressed sibilant sounds which reach the ear express the opinion of the room on the rash purchase.

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	1872. Capital and Reserve.	1876. Capital and Reserve.	1882. Capital and Reserve.
	£	£	£
Australian Mortgage Land and Finance Company, Limited	175,000	315,000	635,000
Land Mortgage Bank of Victoria	100,000	100,000	140,000
New Zealand Loan and Mercantile Agency Co., Limited	98,000	216,000	514,000
New Zealand Trust & Loan Co., Limited	139,000	392,000	710,000
Otago and Southland Investment Co., Limited	62,000	62,000	222,000
Scottish Australian Investment Co., Limited	526,000	560,000	850,000
Trust and Agency Co. of Australasia, Limited	100,000	236,000	299,000
£	1,200,000	1,881,000	3,370,000

Australian and New Zealand Mortgage Company, Limited	65,000
Australasian Mortgage and Agency Company, Limited	188,000
British and Australasian Trust and Loan Company. Limited	127,000
British and New Zealand Mortgage and Agency Company, Limited	60,000
Colonial Investment and Agency Company of New Zealand, Limited	84,000
R. Goldsbrough and Co., Limited (late Australian Agency and Banking Corporation, Limited)	275,000
Mortgage and Agency Company of Australasia, Limited	16,000
Mortgage Company of South Australia, Limited	55,000
National Mortgage and Agency Company of New Zealand, Limited	80,000
New South Wales Mortgage, Loan and Agency Company, Limited...	80,000
New Zealand Mortgage and Investment Association, Limited	46,000
Queensland Investment and Land Mortgage Company, Limited	250,000
Scottish and New Zealand Investment Company, Limited	118,000
South Australian Land Mortgage and Agency Company, Limited ...	148,000
£	4,962,000

Their capitals and reserves in 1872 amounted to £1,200,000, and while in 1876 they had reached £1,881,000, at the end of last year the total was nearly £5,000,000. In addition to the capital and reserve, they are possessed of upwards of £12,000,000 raised on debentures, debenture stock, deposits, &c. Many of them are increasing their capital, and still advertising for money on debenture or deposit, and there are several other companies endeavouring to raise money on debenture in this country, such as the Auckland Agricultural Company, the Darling Downs and Western Land Company, &c., &c., which are not included in the foregoing list, so that it is probably within the mark

to place their total available resources at £20,000,000. They are thus powerful agents in supporting industry and trade, and in forwarding the social prosperity of the Australian colonies. The prospectus has just been issued of a new company, the Anglo-Australian Loan and Agency Company, Limited, with Sir J. B. Darvall as chairman, and Mr. E. Brett, managing Director, but the application for shares was not sufficient to justify the board in making an allotment.

Most of the companies have small paid-up capitals relatively to their debentures; but two striking exceptions to this rule are the New Zealand Trust and Loan Company, Limited, and the Scottish Australian Investment Company, Limited, the capital of both of these companies being largely in excess of their debentures. The companies which have raised the largest amounts by debentures, are the Australian Mortgage Land and Finance Company, Limited, with about a million and a-half, and the New Zealand Loan and Mercantile Agency Company, Limited, with upwards of two millions and a-half.

New companies have come into existence since 1876, with a present paid-up capital approaching a million and a-half, and still increasing. Upwards of £5,000,000 of the amount raised by debentures and held on deposit belongs to those vigorous new companies. Many of the older companies think that the present state of the money market in Australia justifies them in increasing their capital, which they are confident of being able to employ safely and profitably. In most cases the shares are offered at a considerable premium, so that the actual amount of additional funds raised will be very considerably more than the nominal amount of shares issued.

We have already seen that two of them stand very high in the list of wool importers. In making advances on the growing clip of wool, some of them make it a condition that the wool be transmitted through them for sale in London; this seems a very fair and reasonable stipulation. It at the same time shows, that it is of importance to the lender and profitable to him to have his loan paid off in London, and to have the realising of his security in his own hands.

Scotch Money in Australia.

The *Scottish Banking Magazine* was lately complaining of the drainage of capital from Scotland by the agents, particularly in

Edinburgh, of Foreign and Colonial Joint Stock Companies. Whether the monopoly of banking in that country is the cause of this continuous outflow, cannot be discussed here. Suffice it to say that it seems very probable that some of the money at least would be invested in local banking enterprise, and enter into competition with the existing banks, if new banks could be started with any prospect of success without note issue. Incidentally it may be observed that the Comptroller of the currency in his Report to the Congress of the United States for 1881. expresses an opinion that cheques, deposits, and drafts, which are now so largely used as substitutes for money, are the most important and useful parts of the machinery of the bank. The issue of circulating notes is not an essential feature of banking, for there are many banks in America, chiefly incorporated under State laws, which do not issue such notes. But cheques and drafts are almost as indispensable to the successful conduct of the business of banking as capital or deposits. As an excuse for this digression it may be stated that Scotch banking, like Australian banking, is at present receiving rather more than its usual share of attention—especially at the hands of the *Economist* and the Glasgow Chamber of Commerce, both in regard to its notes issues and the dealings of the banks with their customers.

To return to our subject, a reference to the advertising columns of the *Scotsman*, any Wednesday or Saturday for many years past, will amply prove that much of the money collected in Edinburgh finds its way to Australia and New Zealand.

The Oriental, Agra, and other Indian banks were the first to establish deposit agencies in Edinburgh twenty-five or thirty years ago, and since that time the number of such agencies has been increasing every year. On referring to a copy of the *Scotsman*, more than a dozen Australian Land and Investment Companies will be found advertising for money on debentures and deposits, most of them having agents of their own in Edinburgh. In the same paper will be found the Bank of Australasia and the London Chartered Bank of Australia advertising for deposits in addition to the following banks, who are represented by agents:

The National Bank of New Zealand, Limited, with Agents in Edinburgh, Glasgow, and Dundee.
The Colonial Bank of New Zealand.
The Bank of New Zealand, with Agents in Edinburgh, Dundee, Aberdeen, &c.
The Oriental Bank, with Agents in Edinburgh, Perth, and Aberdeen.
The Bank of South Australia, with Agents in Edinburgh, Glasgow, and Dublin.
The Commercial Bank of Australia, Limited.

The Queensland National Bank, Limited, with Agents in Edinburgh and Glasgow.

In forming an idea of the amount raised by these banks and companies through their numerous agents, it may be estimated that they (exclusive of the Oriental Bank and the Bank of New Zealand) hold £300,000 each. Some of them, who have been collecting money for many years, will probably have considerably more, while those of more recent origin will have less. The Oriental Bank and the Bank of New Zealand may probably very safely be placed at £2,000,000 each, say:—

The Oriental Bank	£2,000,000
The Bank of New Zealand	2,000,000
20 Companies at £300,000	6,000,000
Total	£10,000,000

A great part of the money collected by the Oriental Bank will not be used in Australia, but it is probably within the mark to say that £10,000,000 of Scotch money finds its way to the Colonies, a considerable portion of it apparently to New Zealand through the Mortgage Companies connected with that Colony. It will be noticed that with the exception of the Commercial Bank of Australia, Limited, none of the banks in New South Wales or Victoria are represented by deposit agents. So early as the days of the Royal Bank of Australia, Scotch money was flowing to the Colonies in the shape of deposits.

Edinburgh seems honeycombed with agencies for collecting money not for use in Australia alone, but for India, Canada, South America—everywhere almost and for all purposes, on the security of pastoral and agricultural lands in Texas, California, Queensland and Mexico, and innumerable other places.

Debentures (Negotiable Interest-Bearing Documents); The Cape of Good Hope Bank, Limited.

A considerable portion of the fresh capital of the Mortgage Companies is raised by debentures, a plan [illegible] adopted by any bank, but one to which there is no apparent [illegible] hension which has arisen as to the [illegible]

will be well to explain that the expression is used not in the sense of a debenture, secured by mortgage, which would be a first charge on the assets and the uncalled capital of a bank, but simply to express a negotiable interest-bearing document acknowledging a debt.

In the pamphlet to which reference has already been made, the effort to be brief was perhaps carried to excess, and no explanation given as to the meaning attached to the word "debenture." With this explanation the word "debenture" will be used (*brevitatis causâ*) in this chapter.

The deposit receipt of an Indian or Colonial bank is expressed as follows :—

LONDON, *1st January,* 1883.

RECEIVED from John Smith the sum of Five hundred pounds, as a deposit bearing Interest at the rate of 5 per cent. per annum, repayable 1st January, 1893.

Manager.
Accountant.

[Not transferable.]

The debenture (or whatever name might be given to the document) might be drawn thus :—

No. 1. £500.

THIS DEBENTURE entitles the Bearer to Five hundred pounds, with Interest due and payable thereon half yearly on the 1st day of January and the 1st day of July in each year respectively. And the principal sum secured by this Debenture to be repaid by the Bank, Limited, in London, on the 1st day of January, 1893.

The several sums in respect of interest mentioned in the annexed Coupons will be payable to Bearer on his producing and delivering the same at the Bank.

IN WITNESS whereof the authorised Officers of the said Bank have hereunto set their hands the 1st day of January, One thousand eight hundred and eighty-four.

Manager.
Accountant.

The deposit receipt is not transferable, and the bank has to send a cheque for the interest half yearly ; the debenture would be negotiable and would have coupons attached for payment of the half yearly interest.

Many of the banks are allowing interest at the rate of five per cent. for sums deposited for three years and upwards. Four per cent. debentures, issued at 97, would be equivalent (or very nearly so) to five

per cent. deposits for three years. Until within the last few months, many of the Australian banks had ceased taking deposits, while the others were offering very low rates, so that a four per cent. debenture, issued at 97, would be worth the attention of the depositor. To the banker, the issue of debentures would be advantageous, because he would have a large sum of money at once available, and for a lengthened period, at a comparatively low rate of interest. The debentures would be issued for a period of ten or twenty years, and the amount at the bank's disposal would be certain, and not liable to fluctuate as is the case with deposits. They would be offered by way of loan of £200,000 or £300,000, more or less, as the case might be. It is not proposed that banks should be advertising from week to week that they were prepared to receive money on debenture in the same way that they advertise for deposits. The issue of a considerable amount of debentures would be an economical way of collecting money. There would be brokerages in the first instance, but once paid, the money would be used for years without any further agents' commission; this commission must add considerably to the price of money to those banks who employ agents to collect deposits.

Bankers who took up money in this way would be in a position to refuse deposits except at moderate rates of interest. The late great demand for money in the colonies induced most of the banks ten or twelve months ago to raise their rates in London for money on deposit to five per cent. The probability is that, as on previous occasions, so much money will be sent over that perhaps in twelve months, the colonial market will be glutted and the banks will find themselves loaded with money for which they are paying five per cent., and for which they cannot find employment. Four per cent. debentures would remedy this state of matters.

Australian banks are trusted individually with millions taken on deposit receipts which are not transferable; it seems, therefore, unlikely that they would experience any difficulty in securing half a million on negotiable documents. It would probably be necessary for any bank taking money in this way to have its articles of association altered so that there would be no limitation of liability in regard to the debentures. This is one of the conditions of the Scotch banks in reference to their note issues, and renders the notes of those banks more secure

than ever, and would have a like effect on the debentures of an Australian bank, the shareholders of which have only a limited liability in respect of the general liabilities of the banks in which they hold stock.

One bank in advertising for deposits states that depositors are secured by the assets of the bank, and liability of shareholders for double their subscribed capital. This probably only means that, in case of liquidation, the depositors and other creditors jointly would be secured by the assets of the bank and the further liability of the shareholders—not that the deposits are guaranteed by mortgage of the assets and uncalled capital.

The last occasion upon which the demand for money in the colonies seemed to have overtaken the supply was about six years ago. Many of the banks at that time advertised largely for deposits in this country at five per cent. They probably obtained the desired amount in the course of time, but with an issue of debentures, when they saw the necessity of adding to their resources by money from outside the colonies, they could obtain it beforehand and be in readiness to meet the demand, instead of as now, taking deposits at high rates, and when a considerable sum had been gradually received, finding that profitable employment for it was not easily to be had, as the demand had already subsided and rates gone back to their normal position. The Sydney correspondent of the *Australasian Insurance and Banking Record* writes in the April number of that journal, "the tendency of affairs to a quieter money market, alluded to in last month's letter, has continued during March, and it is gratifying to be able to report that all uneasiness is passing away..... All things tend to a steadiness in financial circles, which as the year progresses will no doubt resolve itself again into a plethora of money, especially if the government extend the new loan to £5,000,000 instead of £3,000,000." He also adds "Merchants complain that country bills have been indifferently met, but such is generally the case in times of stringent money; then it would almost seem that directors of banks forbid their representatives in the interior to afford any assistance to storekeepers, who, of course, have to come back for help to those they buy from, who take renewals which are then rediscounted; so that, as a matter of fact, the banks are no better off by their policy, as they have ultimately to find the money; meantime the unfortunate storekeeper is

hampered, and his credit suffers, while in ordinary seasons no reasonable facilities are denied him."

Apropos of this, a Queensland Squatter recently on a visit to this country, speaking of the action of the banks, complained that the branch manager, when money is plentiful, almost "stuffs the notes into his customers' pockets," while in stringent times he will scarcely let them have a £5 note by way of overdraft. With coffers replenished by the issue of debentures in London, the banker would be in a position to assist his customers in bad as well as in good times.

It would be necessary to have a special resolution of shareholders passed to authorise the issue of debentures, but it is very unlikely that they would offer any objections to such a proposal. It would also be necessary to limit the amount to be offered within a certain number of years, and recent experience shows that the debentures would have to be offered at such a price as would hold out the prospect of some profit to the stock exchange dealers, and thus induce them to take up the debentures and make the issue a success.

At a recent extraordinary meeting of the Bank of Australasia, the chairman said "a fourth objection to the increase of capital was that it would be a cheaper plan to take deposits in this country to a larger extent. That sounded reasonable, but in case of any great stringency in the money market, or of any great financial disaster in this country, the deposits might be withdrawn just at the time when they were most wanted." This would not occur if money were obtained by the issue of debentures. When once floated, the amount of money available for use would be definitely known, and when provision would have to be made for paying off the debentures as they became due, an opportunity would be afforded to the bank of renewing its issue probably at a lower rate of interest. Fourteen or fifteen years ago, the colony of Queensland was unable to place a Six per Cent. Loan, even at a considerable discount; the Four per Cents. of that colony now stand very little under par. The directors of a bank, when any issue was about becoming due, could take advantage of a favourable moment to launch the new loan for the redemption of the previous issue, or by that time Australian banking might be in no need of money from outside the colonies and the debentures could be paid off. It is obvious that any bank, with money raised in this way, would be in no dread of the money being withdrawn,

if any panic or stringency of the money market occurred during the currency of the debentures.

The resources of many of the older banks in New South Wales and Victoria are probably already so great that there is little inducement for them taking up money on deposit in this country. On the other hand, the banks in several of the other colonies, and in New Zealand, have been actively engaged in securing deposits for many years, and to them it might be useful to have a considerable sum at once, and for a long period. There are also in the Australian and other colonies numerous banks without branches in London, and who have thus no very ready means of obtaining a share of the surplus money which is seeking investment in this country. One of the oldest colonial banks, the Cape of Good Hope Bank (Limited), established in 1836, and with a paid-up capital and reserve of £440,000, has no London office, but endeavours to secure money on fixed deposits by advertising as follows :—

> The Cape of Good Hope Bank (Limited) are prepared to receive FIXED DEPOSITS for periods of one, two, or three years certain, and to allow interest thereon at 5 per cent. per annum.
>
> The deposits can be lodged with the London Agents of the Bank, the London and Westminster Bank (Limited), Lothbury, London, E.C., who will give provisional receipts for the same, to be exchanged for deposit receipts of the Cape of Good Hope Bank (Limited), when obtained from the colony, such receipts to bear date of, and to carry interest from the time of lodgment in London. The principal money will be repayable, and the interest will be payable periodically in London as may be agreed upon.

In the case of this bank the issue of a certain amount of interest-bearing negotiable documents, and obtaining a fixed sum at once, would surely be more advantageous. It would not be more derogatory to the London and Westminster Bank to receive in a lump sum next week £250,000 on account of its Cape friends than it would be to receive that sum in two or three years in small sums week by week, as the result of expensive advertisements in the daily papers.

The following are the prices on March 9, 1883, of the debentures issued by some of the mortgage and land companies :—

NAME.	Rate of Interest.	Price this day.
	Per cent.	
Australasian Mortgage and Agency Co., Limited	4–4½	par ex int.
Australian Mortgage Land and Finance Co., Limited	4	par 1 pm. ex in.
Ditto ditto £600,000	4	97–99
Australian and New Zealand Mortgage Co., Limited...	4–4½	par ex int.
British and New Zealand Mort. and Agency Co., Ld.	4½	par ex int.
British and Australasian Trust and Agency Co., Ld.	4	par ex int.
Land Mortgage Bank of Victoria	4½	par ex int.
National Mortgage and Agency of New Zealand, Ld.	4–4¼–4½	par ex int.
New South Wales Mortgage Loan and Agency Co., Ld.	4–4½ & 5	par ex int.
New Zealand Agricultural Company, Limited	5	par ex int.
New Zealand Grain Agency and Mercantile Co., Ld....	4½–5	par ex int.
New Zealand Loan and Mercantile Agency Co., Ld....	4	95–97
Ditto ditto	4–4½	par ½ pm. ex in.
New Zealand Mortgage and Investment Association, Ld.	4½–5	par ex int.
New Zealand Trust and Loan Company, Limited	4	par ex int.
Otago and Southland Investment Company, Limited...	4	par ex int.
Queensland Investment Land Mortgage Co., Limited	4–4½	par ½ pm. ex in.
Ditto ditto	4	par ½ pm. ex in.
R. Goldsbrough & Co., Limited	5	par ex int.
S. Australian Land Mort. & Agency Co., Ld. £200,000	4½	100–102
Ditto ditto	4½–5	par ex int.
Scottish Australian Investment Company, Limited......	4–4½	par ex int.
Trust and Agency Company of Australasia, Limited...	4	par ex int.
Union Steamship Company of New Zealand, Limited..	5	par ex int.

Debentures or interest-bearing documents issued by an Australian bank of good standing, would probably command a somewhat better price.

The Australian Mortgage Land and Finance Company (Limited) is at present making an issue of £250,000 Four per Cent. Perpetual Debenture Stock. No doubt it is a company of high standing, but it is somewhat anomalous to see a mortgage company advertising for money at 4 per cent., while in the same papers we see some of the oldest of the Australian banks advertising for deposits for three years and upwards at 5 per cent. The banks ought to be in a position to secure money in this country at as cheap a rate as the mortgage companies.

CHAPTER X.

Bank Agreement; Sale of Drafts on the Colonies; Purchase of Drafts on the Colonies; Collection of Drafts on the Colonies; Remittance of Moneys by Cable to the Colonies; Rebate.

THE BANK AGREEMENT.

IN November, 1875, an agreement was entered into between the Banks trading in Australia and New Zealand for the regulation of rates, and the conduct of their business. From time to time the terms of the original agreement have been modified, and a new clause relating to rebate was last year introduced. The following points, however, represent the most important clauses as it stands at present:—

1.—Sale of Drafts on the Colonies. Drafts at sight are to be issued at par.

2.—Purchase of Drafts on the Colonies. Minimum rates to be settled from time to time.

3.—Collection of Drafts on the Colonies. One half per cent. to be charged on all bills, in addition to the current exchange for remittance of proceeds.

4.—Remittance of moneys by cable to the Colonies. A charge of One per cent., besides the cost of the message.

5.—Rebate. after 1st January, 1883, one-half per cent. above the rate for interest on deposits at seven days' notice allowed by the leading London Joint Stock Banks, but in no case to exceed 5 per cent.

SALE OF DRAFTS ON THE COLONIES; REMITTANCE OF MONEYS BY CABLE TO THE COLONIES.

The agreement as to remittance of money by cable is, that an exchange of one per cent. be charged in addition to the cost of the message. The reasonableness of the charge will be obvious when it is

considered that the banker in London holds himself in readiness to remit money by cable for customers to any place where his bank happens to have a branch. At the other end, there is the expense of keeping in a bank's coffers, at innumerable branches, a considerable sum of money to meet demands; and in the case of cable remittances, very sudden demands ; as soon as the coffers are emptied, they have, of course, to be replenished from the head office or some other branch, which entails further expense.

Twelve or fifteen years ago it was customary to allow a premium of one-half per cent. or one per cent. on drafts issued upon the colonies, but by mutual consent it was put an end to, and drafts at sight are now issued at par, no allowance being permissible except the customary commission to banking correspondents. Business of this kind is so fluctuating that the banker cannot reckon with certainty, what amount he will be in possession of before next mail day. He cannot, therefore, rely to any appreciable extent upon money coming in from this source, and consequently must provide funds for the purchase of document bills in London, and for the payment of drafts drawn upon him from the colonies, irrespective altogether of what drafts he may issue. If, instead of being intermittent, there was a steady volume of business of this kind, equal, or nearly equal to the amount of bills offering, it would completely alter the aspect of the exchange business. As it is, the banks have acted wisely in abolishing the allowance of a premium, and agreement on this point is very important.

The position of the Australian banks with respect to drafts on the colonies is somewhat similar to that of the bill broker and customers who may have small sums to lend at irregular intervals. If the bill broker requires £200,000 or £300,000, he will sometimes have to pay the lender interest at the Bank of England rate, but if a stray customer offers him a few thousands for a day or two, he will not give the same rate of interest. His wants have been supplied at the bank, or from some other source upon which he can at all times rely, and he will only take casual small sums, provided he can secure the money on more favourable terms.

In like manner manner the Australian banker provides funds for the payments which he has to make, and what is received for drafts issued upon the colonies is of comparatively little moment to him.

Besides, we must not lose sight of the fact that he is prepared at all times to receive money in London, and grant a draft on the colony, even at times when he has a superabundant supply of money in this country. Except in the case of occasional customers who are always on the outlook for concessions, the present arrangement meets with general approval. There are a few, no doubt, who think that they ought to have interest for the forty days, which will elapse before the draft is presented and paid in the colony.

The answer that no allowance can be made, because there is an agreement amongst the banks to that effect, is the best reply which can be given to such people who seem to forget that there are expenses connected with a bank office in London, in the shape of rent—an important item—and the salaries of directors and staff. All business transacted should bring in some moderate profit to assist in meeting the necessary outlay.

Purchase of Drafts on the Colonies.

The purchase of bills is the most important part of their business in this country, and the agreement has worked advantageously, satisfactory alike to the merchant and to the banker. Before an agreement was arrived at, it was the practice of many of the banks to find out the rates charged by such banks as the Union Bank of Australia, the Bank of Australasia, and the Bank of New South Wales, and to charge like rates. This state of matters was attended with many disadvantages: there was a discussion with the merchant as to the rate to be charged on nearly every bill presented, and the banker was often put to considerable trouble to find out what was really the minimum rate of the other banks.

One of the oldest of the banks retired from the agreement towards the end of last year. The policy of the banks up to that time had seemed to be to endeavour to be in a position to meet the requirements of their customers, but not to offer to do business at unprofitable rates, with the view of taking away customers from their neighbours. This course has saved the banks from a ruinous competition, which might in the end have been disastrous to all concerned.

The Indian banks, on the other hand, have for years been suffering from excessive competition, which has greatly narrowed their margin

for profit. This unsatisfactory state of things has lately been rectified, and an agreement has been arrived at, under which the various charges to be made have been amicably settled. The Indian banks, smarting under their losses, are moderating the spirit of competition, while the Australian banks, after working so long in harmony, now see one of their number retiring from the agreement, and proceeding on a course which may ultimately lead to a state of matters similar to that which existed amongst the Indian banks.

Of the advantage of association we have convincing proof in the almost uninterrupted harmony with which the present agreement has operated. As regards the purchase of bills, at no time has it tended either to exact exorbitant rates, or, on the other hand, to depress them below the margin of fair profit.

Collection of Drafts on the Colonies.

The agreement is that ½ per cent. be charged on all bills in addition to the current exchange for the remittance of proceeds. It would seem scarcely necessary to have an agreement on this point. A bank cannot be expected to do business for nothing. The exchange profit in the colony on the draft remitting proceeds of a bill for collection, is only what a bank would receive from any of its customers who purchased a draft on London, and it seems fairly entitled to ½ per cent. commission for the additional trouble of acting as agent in the matter. In the olden time, before an agreement was arrived at, one of the oldest and largest of the banks undertook to collect bills without any charge for commission rather than allow the business of a large customer to be diverted to another channel. This well illustrates the benefit accruing from an agreement as to rates. In Mr. Fleming's paper* on the Theory and Practice of Banking in Scotland, we are told that although there exists very active competition, the rates of discount and interest are uniform all over that country. In Scotland, if some influence transferred a merchant's business to another bank, he would not be tempted to remain with his former bankers by offer of lower rates. In the Australian case to which I have referred, the bank which had influence with a firm to divert its business from another bank, could, of course, have

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* *Journal of the Institute of Bankers.*

secured the business by collecting the bills without any charge for commission; but it did not do so. Agreement as to rates, where practicable, as in London, is very prudent; and although, in the ordinary course, managers and directors will always be on the outlook to secure a good customer for their respective institutions, they will by the existence of an agreement be prevented from undue competition. If they bring fresh business to their respective banks in London, it will be by the influence or connections of a director or manager, not by offering lower rates. A new director appointed to a bank often influences business (as in the case referred to), and it seems unsound policy, even in the absence of an agreement, to attempt to retain such business by lowering rates, a course which would be of no avail provided the other bank held out the same inducement.

Rebate.

The allowance for rebate on bills taken up before maturity was, until recently, at the Bank of England rate, but never above five per cent. With the Bank of England rate at five per cent., and the deposit rate at 3½ per cent., as recently, the banks were, under the old arrangement, considerable losers. The alteration was brought about by the action of the Indian banks, which, with Messrs. Rothschild, Baring, &c., ceased to allow rebate on document bills at the bank rate. The steps taken by the Australasian banks in the matter were rendered necessary by the increased demand for the retirement of document bills under rebate, owing to the large proportion of homeward shipments by steam, instead of sailing vessels.

There are other minor points, and also regulations as to the allowances to be made to banking correspondents. It is not necessary to refer to them here; they are such as usually exist between all banks.

If the agreement were broken up, it is probable that, taken in detail, and without union among themselves, the banks would have to come back to the old system, and often make an allowance, rather than allow business to go past them. It is to be hoped that the present secession of one bank will not have the effect of sowing dissension among the remaining adherents to the agreement.

CHAPTER XI.

Competition; Is a War of Rates in London judicious? What is a fair rate of Exchange? The Bank of South Australia.

COMPETITION.

THIS subject of competition is one which has afforded infinite scope for the eloquence of chairmen of Australian banks during the last thirty or forty years. It is not possible to take up a volume of the *Bankers' Magazine* to read the reports of the various meetings, without stumbling upon a reference to competition in some shape or other. At one time the Colonial Bank chairman is inveighing against the advent of what is called an English bank; again we find the chairman of an Anglo-Australian bank expressing apprehension that the profits might not maintain that proportion to the increase in the deposits and liabilities which they had hitherto done, on account of the competition, not only between his own bank and others, who, like it, had a head office in London, but with others which were purely local banks.

The chairman of the Bank of New South Wales welcomed some of his competitors originating in this country thirty years ago, by speaking of the drawback "of foreign competition, originating in a false view of the position and wants of this community" (New South Wales).

In like manner in 1873, the chairman of the Bank of New Zealand (Mr. Russell) spoke of the new competitor, the National Bank of New [illegible] terms: "The field here is fully

occupied ; not only has this bank, but other banks doing business in this country have abundant resources available for all legitimate banking operations in New Zealand, and yet this is the field of operations referred to in the prospectus of another *foreign* bank about to be introduced, who purpose taking up ground not already occupied." A shareholder timidly remonstrated and expressed an opinion that there was room enough for both, and recommended the directors of the Bank of New Zealand to go on amicably with the new comer.

This, however, the chairman could not see, insisting that the National Bank was a foreign institution got up and to be managed in London. It is not very easy to understand this outcry against foreign (English) competitors. If foreign (English) money be required in the colonies, why should foreign (English) companies not assist in placing it there.

Before passing to our legitimate subject of competition in London, it may be interesting to give the views expressed at two bank meetings—the one an Anglo-Australian Bank, the other a Colonial Bank—as to the evil arising from undue competition amongst different banking institutions, by which the rates of discount are reduced, or the interest on deposits increased to such an extent as to leave a very small margin for profit. On one occasion when this mischievous state of things, which had been in existence in New South Wales and Victoria, was to some extent put an end to by an agreement, the chairman of the Union Bank expressed an opinion that "It was not for the interest of the community at large any more than it was for banking institutions that business should be carried on on such a system as had prevailed. The result of the understanding come to by the different banks had been most satisfactory." While such competition was going on in Australia, the spirit of antagonism between the different banks in New Zealand was so earnest that they were carrying on business to a considerable extent at a loss ; this very probably arose from an effort to "boycott" the National Bank of New Zealand, Limited, which was then establishing itself.

The other gentleman, whose views we quote, was the chairman of a colonial bank (the Australian Joint Stock Bank) at a meeting seven or eight years ago, and his opinion of the folly of undue competition as to rates, fully coincides with that previously expressed by the chairman of

the Union Bank. Mr. J. S. Mitchell, the colonial chairman referred to, said :—

"A considerable extra sum had been paid for increased interest on deposits—an expense which had been brought about by the action of some of the other Banks. He was glad to say the folly of this was admitted, and that a more reasonable style of doing business would probably be followed during the current half-year, by a better understanding between the Banks. Some people think that there should be no understanding or arrangements between Banks or other trading companies, but that free trade should exist for money as well as any other commodity ; and that everyone should bid for it or anything else as he thought fit. But that is not free trade—free trade he understood to be the removal of fiscal or other outside restrictions to the commerce of a country which should flow into or out of it *free*, which is the only way of putting all classes of business on an equal footing. Competition was not free trade, but often the tyranny of trade—the tyranny of the rich over the poor, or the unprincipled over the fair trader. Take, for instance, the competition between two tradesmen or steam companies, what does it mean but the ruin of one of them? It also means high prices from the public to the winner afterwards. But this competition could go on in any country, whether it suffered under high protective duties, or had a free tariff. There was no reason why Banks should not agree to a rule of business as well as brokers, architects, lawyers, and others, in order to prevent this ruinous competition. He should be very sorry to see the Banks competing for all the floating capital of the country, or all the business of the country in their hands ; they have a large share of it, and can exercise an immense power in raising or depressing the value of capital ; but this power should be used with great care and moderation, or it would be disastrous to themselves."

Bank agreements in the colonies seem very tender plants. On 27th June, 1859, the six banks* in Melbourne, acting together in the matter of the Government Railway Loan, announced their intention not to allow interest on current accounts and deposits at all, at same time announcing a reduction of One per cent. in their rate of discount. The National Bank of Australasia joined in the movement the following day. Another meeting was held on 11th July, but meanwhile the Oriental Bank, and the English, Scottish, and Australian Chartered Bank had raised their rates of interest, and the Colonial Bank of Australasia had seceded from the movement.

Notwithstanding the keen competition and want of agreement in the colonies, and which almost seems the normal state of affairs there, the banks have for seven years been able to work together in London, and we shall now proceed to endeavour to find out whether this is the more prudent course, or whether there are any circumstances connected with the operations of Australian banks here that may enable one bank profitably to underbid another.

* The Bank of Australasia, the Union Bank of Australia, the Bank of New South Wales, the London Chartered Bank of Australia, the Bank of Victoria, and the Colonial Bank of Australasia.

Is a War of Rates in London Judicious?

In examining into this question the chief point to be considered is to what extent a bank manager could benefit his bank by forcing rates down. If a bank, by reducing its rates for a time, could allure new customers and afterwards retain them, the loss of profit might be justified by the extension of its business, but a temporary reduction in rates will not be found to constitute a permanent attraction. Moreover, it is extremely doubtful whether a house of high standing would transfer any part of its business to another bank in such circumstances. Some merchants might, perhaps, take their business to the bank transacting it on lower terms, but that attraction removed the business would in all probability be removed also.

When business was being conducted at a loss in New Zealand ten years ago the chairman of the Union Bank informed the shareholders that they could not occupy a secondary position there, and as long as other banks followed such an unwise course they would maintain their position. "We could not allow our customers to be attracted by rival institutions by any temporary opposition of this kind." They are probably better able than some of their neighbours to bear a loss in exchange on their South Australian bills, and are as little likely now as ten years ago to allow a good customer to be attracted to another institution by a lower rate of exchange.

Bills are largely influenced to the London offices of the banks by their constituents in the colonies, and the London manager can only influence such business as the negotiation of bills to a very limited extent, indeed. This influencing of business from the colonies has been more marked of recent years, and shews a change (whether of a temporary character cannot yet be judged), in the course of business. The country storekeepers and the merchants in the smaller seaports seem bent on ordering their goods to a great extent from this country instead of, as formerly, drawing their supplies from the wholesale houses of Melbourne, Sydney, &c. Whether this will be profitable for them in the end it is not necessary to inquire; it is going on at the present time, and seems increasing, and will ultimately benefit the local banks with their numerous branches, whether in New Zealand, New South Wales, or elsewhere.

This diversion of business into new channels met with considerable opposition from large firms in this country, but many of them, in Old Change, Wood Street, Birmingham, Sheffield and other centres, have seen the wisdom of moving with the times, and rather than allow business to go to their next door neighbours, they are now as ready to execute an order direct from Australia (negotiating their bill on their customer through one of the banks) as they are to execute an order from a larger Australian House, which has an agent or one of its partners resident here.

Very many of the bills negotiated in London are under credits established in the colony and will pass through certain banks irrespective of any lowering of rates. In fact, most of the Exchange business carried through in London originates in Australia, the business of the Australian banker in London, so far as the purchase of bills is concerned, partaking largely of the nature of a mere agency business for the colonial establishment. A war of rates in London would therefore apparently be productive of very little result. The present secession from the agreement seems to have caused little or no disturbance. It is sufficiently evident from past experience that an agreement in London is beneficial and works well, whatever may be the difficulties which prevent harmonious association in the various colonies.

What is a Fair Rate of Exchange?

In discussing this, it is necessary to bear in mind that if money be provided in London for the purchase of bills on the Colonies, the operation is not completed until the funds are again placed here. In like manner, if money be sent from Australia, it has to return to the coffers of the bank in Melbourne or Sydney, as the case may be, before the exchange operation is concluded. Merchants are very oblivious of this, and have a disagreeable way of insinuating that banks have large balances in London, which ought to be at the service of the merchant almost without charge!

Many of the banks have been advertising largely for deposits in this country during the last twelve months, for which, on an average, they have been offering 5 per cent. Late advices from Melbourne are, that 5½ per cent. is being offered there, whilst in South Australia as

much as six per cent. is being offered by some of the banks ; let us take 5 per cent. as the average rate allowed on deposits. It may assist us in arriving at a sound conclusion as to what is a fair rate in such circumstances, if we first see how the London banks regulate their allowance of interest, in accordance with the movements of the Bank of England rate.

Bank of England rate.	London Bankers allow on Deposits.
3 per cent.	2 per cent.
4 "	3 "
5 "	3½ "
6 "	4 "
7 "	4½ "
8 "	5 "

So that when the Bank of England rate reaches 5 per cent., the London bankers only allow 3½ per cent. For every 1 per cent. the bank rate rises above 5, the London bankers allow an increase of ½ per cent. to their depositors, but never go beyond 5 per cent.

The Australian banks, at present allowing 5 per cent. to their depositors, would upon the same principle be charging 8 per cent. As a matter of fact, they are only charging about 7 per cent., which cannot be called excessive, in view of the great demands on their resources, and at a time when there is unanimous testimony that the import trade has been vastly overdone. Instead of affording facilities at lower rates, the banks would, in present circumstances, be justified both in increasing their rates, and curtailing their advances in the way of purchasing bills.

It is somewhat difficult at times for the Australian banker in London to satisfy his customer that an exorbitant charge is not being made when an exchange of five per cent. is deducted from a sixty days' sight bill on Melbourne or Sydney. Merchants have some indistinct idea that bankers always have balances in London, and that there should only be a charge for interest until the draft matures, but the following statement shews that the charge for interest must commence long before the bills are purchased in London. The banker in the colony must provide his representative in London with funds which, if sent in gold, will take nearly sixty days to reach London from Sydney :—

Passage of Coin, Sydney to London	60 days.
60 d/s Bill purchased	63 "
Mail to Sydney	42 "
Allowances for contingencies	15 "
	[illegible]

So that with scarcely any allowance for delays, it will be nearly six months before the money returns to the bank in Sydney. Calculated in this way, it will be found that with an exchange of five per cent., the rate of interest to the banker is at about seven per cent. per annum, after deducting freight and insurance on the gold, and allowing for a moderate exchange profit.

There is another way in which bills in Australia might be dealt with and probably many of the Scotch and English provincial banks do take bills in the manner to which reference is to be made. It is a common practice in the Eastern trade for the representative of the China merchant in London, instead of selling his bill (in dollars at a certain rate of exchange), to hand it in to the banker with the usual shipping documents attached. Let us suppose the transaction involves an advance of £1,000. The merchant draws at two months' sight in sterling on his Hongkong house, payable at the current rate of exchange on London. He gets his advance of £1,000 here which is placed to his debit, and upon this he has to pay interest and a commission. The Hongkong merchant is bound to take the bill up at the current rate of exchange in two months after sight, but should the rate of exchange take any turn in his favour he is at liberty to retire the bill whenever he thinks fit. No question of rebate arises, and of course the sooner the bill is retired, the sooner will the advance in London be paid off and interest cease.

At present the Australian banker seems precluded by the agreement from entering into transactions of this kind, although provision is made for a somewhat analogous sort of business. In the clause as to bills for collection, it is added that no advance is to be made in anticipation of remittance at less than the minimum rate of discount in the colonies.

How any arrangement of this kind would affect the merchant would, of course, depend upon the rate of interest agreed upon to be charged on the over-draft, until the return remittance from the colony arrived. The 60 days' sight selling rate of exchange in Sydney is generally one per cent. premium, sometimes as low as ½ per cent., or a trifle above one per cent.; but in making a calculation as to the result of such an operation, one per cent. may be taken as the rate on the return remittance. The rate of interest would probably never be less than [illegible] present time it is not likely that Australian banks

H 2

would be willing to fix a lower rate than 6 per cent. With 1 per cent. premium on the return draft and 6 per cent. interest on the loan, the result would be—

Mail, London to Sydney	42	days.
Currency of Bill	63	"
Mail, Sydney to London	42	"
Currency of Return Remittance	63	"
Allow for contingencies	20	"
	230	"

230 days' interest on £100 =	£3	15	7
Premium on Return Remittance	1	0	0
Stamps do.	0	2	0
Net cost to the Merchant	£4	17	7

In a previous calculation, allowance for contingencies is perhaps a debateable point, but in the above calculation it is requisite that some allowance be made before we can arrive at an approximately correct result. The merchant would generally take his advance before mail day in London, and it would seldom happen that the bill matured on a mail day in the colony, hence the necessity to allow for contingencies. A curious feature in exchange business carried on by such a method would be that it would be advantageous to the merchant to send his bill in as nearly on a mail day as possible. At present it is most profitable for him to send his bills in the day after a mail has left, when he can so arrange his financial matters. This was not an uncommon practice with the mercantile community, especially when there was only a mail once a month to Australia, and most of the merchandise went forward by sailing ships. To such an extent was it carried on that part of the original agreement was that an extra rate of ½ per cent. be charged on all bills negotiated within seven clear working days after the departure of the Brindisi (Melbourne) mail.

The cost to the merchant would be perhaps modified by a lower (5 per cent.) rate of interest being charged, and the return remittance could be discounted, generally speaking, at a low rate, thus placing the funds sooner in the hands of the banker, and wiping off the debit balance.

The Bank of South Australia.

"With well regulated rates, and a freedom from undue competition, business will be sound, profitable, and well conducted."—William Purdy.

The bank to which reference was made in a former chapter as having seceded from the agreement, is the Bank of South Australia. To give practical effect to its secession, the management issued a circular intimating that they were prepared to negotiate bills in the colonies at a discount of 3½ per cent. for 60 days' sight, a rate which was at the time 1½ per cent. lower than that charged by the other banks. Their action is intended as a counter-stroke to the aggressive policy of the Bank of New South Wales, since it established itself in South Australia; when the New South Wales Bank opened a branch in Adelaide, there was an agreement existing among the banks there, but they declined to become a party to it. This soon compelled the Bank of Australasia to retire from the agreement in Adelaide to protect its interests from the encroachments of the Bank of New South Wales. Mr. Brett seems to think that stringent agreements in the colonies are not absolutely necessary, except for regulating the rate of interest to be allowed for deposits. Be that as it may, it is very singular that the Bank of South Australia should be the first to retire from the agreement in London. Its colonial manager, Mr. John Currie, if not the originator, was at least, when in London as secretary to the Bank of New South Wales, one of its most strenuous supporters, and on one occasion expostulated very forcibly with the late Mr. Purdy, at a meeting of the banks, when that gentleman threatened to retire from the agreement in its early days on account of some disagreement about re-exchange. Moreover, both Mr. Currie, the colonial manager, and Mr. Cuthbertson, the general manager, are Scotsmen, and nowhere amongst bankers is it better understood than in Scotland, that competition is unhealthy which leads to the transaction of business at unprofitable rates.

If, as suggested in the *Statist*, the Bank of South Australia has a virtual monopoly of business amongst the copper-mining community and shippers of produce in Adelaide, it is not to be wondered at that the Bank of New South Wales steps in and makes an effort to secure a share of the business, and if it is to maintain its position as a first-class Australian bank, it is necessary that it be represented in all the chief ports of Australia. Its Adelaide manager may be a little too vigorous

in pushing for business, but a prosperous corporation, like the Bank of South Australia, could well have afforded to look without envy upon the Bank of New South Wales establishing itself in that city. They could scarcely have expected to monopolise indefinitely, and on their own terms, the banking business of the Colony.

In the report presented to the shareholders at the half-yearly general meeting, on the 19th of October, 1882, we are told that the capital and resources of the bank are fully employed in the Colony, with the prospect of an increasing and permanent demand for money. We are also told that the progress in development of the Northern territory has not escaped the notice of the colonial management, that a site has been acquired, and that a branch will be established at Palmerston as soon as arrangements can be completed. With their resources fully and profitably employed in the Colony, it seems impolitic on their part to have disturbed the harmonious arrangements, so long existing in London, by lowering rates to such an extent as to make their negotiation of bills in London almost unprofitable.

On comparing the resources of the Bank of New South Wales, the Bank of Australasia and the Union Bank with those of the Bank of South Australia, it is difficult to avoid coming to any other conclusion than that the latter will not be able to do much damage to its powerful rivals, provided dissension does not arise amongst the other banks, and thus cause the whole exchange business in London to be deranged. It was suggested that the opening of branches in Melbourne and Sydney would have been a more effective counterstroke, and that the unoffending banks in London were entitled to some consideration at the hands of the Bank of South Australia, many of their head offices and branches in the Colonies having for a long period carried on an amicable intercourse with the branch of that bank as their agent at Adelaide, while the Bank of South Australia has used the various branch banks of its correspondents for carrying out such business as it might have beyond its own immediate sphere of action.

In a letter to the *Statist*, "Anglo-Australian" spoke in somewhat bitter terms of the suggestion to secure influential local directors, open in Melbourne and Sydney,* and fight there rather than in London, but

* Although the Bank of South Australia is precluded by its charter from extending its operations beyond South Australia, registration under the Limited Liability Acts provides an easy method of overcoming that difficulty.

his sarcasm was misplaced. What do we see going on around us ? The London Chartered Bank of Australia, perhaps one of the most conservative of the Australian Banks, extending its operations to Queensland, has opened a branch in Brisbane with a couple of local directors. Perhaps some may think that there was little necessity for another bank appearing on the scene in the capital of Queensland. The London Chartered has, however, established itself there, and although it has as yet only opened a branch at Brisbane, it is attracting customers of long standing from other banks and at places many hundreds of miles distant from Brisbane, by doing business on terms which other banks are not prepared to adopt. This seems the same course that is being pursued by the Bank of New South Wales in Adelaide.

Again the general manager of the Commercial Bank of Australia, Limited, has lately opened a branch of his bank in London, securing as local directors, the London partners of two of the largest and most influential firms of Melbourne merchants. What better service could he have rendered his bank ? It is a usual and recognised custom, to strengthen a bank's position by securing influential directors when opportunity offers.

A good deal of correspondence appeared in the *Statist* some months since, on the subject of the secession of the Bank of South Australia, but as the predicted evils do not appear to have arisen, it is unnecessary to reproduce the letters here.

CHAPTER XII.

Telegraphic Transfer of Money; Telegraphic Transfers—Cash Transactions; Till Money.

Telegraphic Transfer of Money.

THE growing importance of this mode of remittance was very prominently brought before the public on a recent occasion in the columns of the *Times*, more especially in regard to the Eastern trade and business with the United States; and in a paper read at a meeting of the Institute of Bankers, Mr. Edwin Brett, formerly colonial manager of the London Chartered Bank of Australia, made some remarks on the subject of "Cable Transfers," which have constituted a part of the exchange business of Australian banks since 1872.

The following are extracts from the articles referred to, and they are followed by a letter which appeared in the *Statist*, called forth by the paper read before the Institute of Bankers:—

(Extract from *The Times.*)

"The practice of the mercantile world is undergoing a change which bids fair to revolutionize the whole system by which business has until comparatively recently been carried on. We refer to the increased, and increasing, use that is made of telegraphic transfers, whereby many transactions which a few years ago would have resulted in the creation of bills of exchange can be effected entirely without their aid. A merchant who desires to make a shipment of goods to a foreign port can now in many cases finish the whole transaction almost within a few hours, instead of drawing a bill against the goods and discounting it, which bill might be in circulation for nearly three months afterwards. He can have the goods shipped, telegraph the fact to an agent at the port of arrival, receive particulars as to the state of the market, and, if it seem good to him, have the articles sold at once "to arrive," the proceeds being remitted to him in London by telegraph through a banker. If he has an order to buy goods in England for a customer abroad, the process is similar with the addition that if he does not reside in the place where the goods are most easily bought, he can telegraph to an agent there, who will inform him as to the state of the market, buy the articles, if ordered to do so, and receive payment for them by telegraph. In neither case will a bill appear anywhere in the transaction.

The facilities thus afforded to the mercantile community have not, of course, done away with bills altogether, but there can be no doubt that they have materially reduced their volume. In the Eastern trade, especially, where the competition is exceedingly keen and the margin of profit consequently small, the telegraphic transfer system has been in use for several years, and though, like all other modes of increasing the efficiency of the machinery of business, it may be expected eventually to produce good effects, some inconvenience is necessarily attendant on the transitional state in which we at present find ourselves. A good deal of the business with the United States is already done by "cable transfers," and its amount is increasing; while in other departments of international trade attempts are being made to introduce the new system. Arrangements for telegraphing money to and from Rio Janeiro have lately been made, though they have not, so far as we are aware, resulted in the regular quotation of a rate for cable-transfers between London and Rio. It will be impossible to foresee the effects that may arise from the new system until it has been more widely adopted."

(Extract from Mr. Brett's Paper.)

"The exceptionable feature," he states, "in the remittance of money by telegraph is the sudden and unforeseen demand upon the distant correspondents of the bank, for the immediate payment probably of a large amount, for it has to be noticed that small sums rarely justify the heavy cost of a telegraphic message. Some protection is wanted for the 'drawee,' so to speak, of a 'cable transfer,' and it appears to me that the case might very properly be met by the paying bank (say in London) responding to the telegraphic advice, *not* by an immediate cash payment, but by the issue of a promissory note, or the acceptance of a draft, at sixty days' date, payable to the order of the person favoured. Various devices have already been adopted for divesting cable transfers of their objectionable features, and in cases where such form of remittance is anticipated the difficulty has been met by the Australian bank forwarding drafts to the London office, to be sighted and delivered to the payees, only upon receipt of subsequent advices by telegraph. Another plan is to advise by telegraph, in ciphers previously arranged, that drafts at three or four months after *date*, payable to the order of the secretary or manager of the bank, are going forward by the mail, and may be discounted if required for such and such parties. But where no arrangements have been made by anticipation, 'cable transfers' require the response of prompt and immediate cash payments."

(Letter in the *Statist.*)

"SIR,—On reading a paragraph in one of your contemporaries on Saturday, on the subject of telegraphic transfer of money, I was reminded of what was said by Mr. Edwin Brett, when delivering a lecture on the history and development of banking in Australasia, before the Institute of Bankers, on October 18th. The lecturer stated that one device adopted by the Australian banks in dealing with cable transfers was to forward a supply of drafts from Australia to the London office, to be accepted and made use of upon receipt of instructions by telegraph. The word 'device' seems aptly chosen to designate this plan, which I think you will agree with me in saying very much resembles the method adopted by the City of Glasgow Bank in its later years—viz., to keep a supply of bills on hand, drawn and dated in India, and ready to be accepted as occasion required. The reputation of Australian banks for careful and successful management is second to none, but if it be the case that they have in London a stock of bills on hand, drawn in Melbourne, Sydney, or Adelaide, ready to be accepted, I imagine the bankers and bill brokers of London will soon begin to put a limit to the amount of Australian bank acceptances which they will be prepared to discount. It is obvious that such documents could very easily be put to improper uses.

November 21st, 1882."

It has since been explained that blank drafts are not sent to London, but that the bank in Australia draws in the usual way on London, in favour of certain firms, and that the drafts are complete in every respect. This sort of business, however, is not telegraphic transfer of money. If a bank forwards three or four sets of bills to its London agents, say for £20,000 each, in favour of certain customers, knowing that in a couple of months or in six weeks time it will be called upon to wire its correspondent in London to accept and deliver the bills, it can provide cover by the mail taking the drafts in the first instance, or it may have large funds in London, already available, or, on receipt of funds from its customer in Australia, with instructions to telegraph to have the drafts delivered in London, the banker may remit cover.

Looked at from any point of view, this is no sudden demand on an Australian banker to pay a sum of money in London. On an average he cannot be called upon to telegraph to his London agent until after the lapse of forty days, that being about the time required for the drafts to reach this country.

In reading an article on telegraphic transfer of money, "blank bills" would occur to the minds of many bankers as bearing the nearest resemblance to cable remittance. With blank drafts in London, and knowing neither in what amounts, nor to what firms, he would be called upon to deliver them, a banker might possibly speak of the operation as an adaptation of the telegraphic transfer system. If the public generally, and London bankers and bill brokers made no objection to blank bills being held in London to be filled up with the names of payees and the amounts, on receipt of telegraphic advice, from day to day, it could easily be arranged in such a way as to cause no inconvenience financially to the banker. By issuing such drafts at 90 days' sight, or three months' sight, the banker would have ample time to provide cover; practically, he would be in the same position in regard to a three months' bill issued by his London office, in response to telegraphic instructions, as he now is in regard to a sixty days' bill going forward by mail.

The suggestion that the bank in London should issue a promissory note or accept a draft at sixty days' date, payable to the order of the person favoured, is not likely at present to be generally adopted, it being the practice of banks in this country never to accept bills drawn upon

them by customers in London or any other part of the United Kingdom. The prejudice against their doing so is very deeply rooted, and will not be easily removed. To the mind of many professional bankers the idea will be repulsive ; still it may be that such bills will soon be the custom of the trade and meet with favour in Lombard Street. In the *Journal of the Institute of Bankers* for February we are told that "when the *bonâ fide* character of such bills is freely admitted they will soon make their appearance, and discounters will find the materials for their business re-assuming normal dimensions." It is not very likely that any bank will adopt either this practice or the plan of holding blank bills in London, without thoroughly satisfying itself as to the opinion of bankers and bill brokers on the point.

It is, perhaps, somewhat anomalous that the representative of a colonial bank in London cannot accept the draft of a customer in this country on receipt of telegraphic advice, while he can accept, without question, the drafts of the merchant in Hongkong or Calcutta drawn under credits established in the colony. The American private banker in London, on the other hand, will accept the bill of the Liverpool merchant upon him, say for a shipment of rice to New York, as readily as he will that of the merchant in Rio Janeiro who may have shipped a cargo of coffee to Baltimore or some other port in the United States.

The colonial banker, however, is in no worse position than the London banker or the Scotch banker who, while they can accept the drafts of an Indian or a China house, are forbidden by the unwritten rule of custom to accept drafts drawn upon them by merchants in this country.

The acceptance of a bill drawn upon an Australian banker by a customer in this country would seem to reduce the banker to the financial level of the merchant. In the grain trade (London Corn Trade Association) one of the articles of an American wheat contract is that the cargo be paid for less discount for the unexpired term of seventy-two days from the date of bill of lading—or at seller's option by buyer's acceptance of shipper's or seller's drafts at sixty days' sight, with documents attached. There is a certain prestige about a banker which would seem to be annihilated if he arranges to accept his customer's draft drawn upon him in this country.

The most difficult thing for the Australian banker in transactions

based on the delivery of drafts in London, on receipt of advice by cable, will be to secure a fair equivalent for the accommodation granted. In the Colonies, where there seems to be little agreement amongst the banks for regulating their charges, the merchant (unless he is very different from his London *confrère*), will no doubt bring pressure to bear on his banker, and will probably insinuate that other banks do such business without extra charge. Should the system come into general use, it will very likely prove less advantageous to the banker than to the merchant; in fact, will only be a concession wrung from the banker by large and influential customers.

Telegraphic Transfers—Cash Transactions.

The very essence of remittance of money by cable, however, seems to be the immediate payment of cash, and so long as a bank trades within its means, there is little likelihood of its being put to much inconvenience by telegraphic transfer until that system of remittance is much more fully developed than at present in the Australian trade. In considering this subject, we may turn to the table in Chapter VI., where we see the amount of business done by each bank. It is scarcely necessary to observe that what will be suitable and convenient business for the Bank of New South Wales, the Union Bank of Australia and other banks at the head of the list might be the reverse of profitable to banks lower down in the list, and with smaller means. Banks whose resources are small, cannot expect to be able, profitably, to keep the accounts of firms who would be making continual demands upon them for the remitting of large sums to London by cable. This applies to small banks in their ordinary business; they cannot safely take large accounts, and in the Bank of Otago we see the result of the departure from this wholesome rule. The large and injudicious advance of that bank to the Southland Government, hampered its operations from the very beginning, and militated much against its success.

The system of cable remittance will gradually grow up, without causing much inconvenience, and the managers of the various banks will doubtless, as hitherto, adapt themselves to the various phases of the merchant's monetary requirements. Accounts that would necessitate

the payment of very large amounts in London, on receipt of telegraphic advice, will not be taken by banks whose general business is not of such extent as to compel them to keep large balances, or a large amount of securities in London. To such banks, a large telegraphic transfer business would only produce inconvenience.

If a cable remittance is treated as a cash transaction, the colonial merchant can calculate exactly the cost of remitting, but if drafts at two or three months' sight are to be given him in lieu of cash, he cannot calculate the exact cost. A change in the Bank of England rate may occur before the money is required and he may be caught, as the Eastern banks were in 1881–2, with a sharp sudden rise. We have already shown how the banker would be affected by this system of dealing with telegraphic advices, which although not exactly cable remittances, may be of great service in monetary transactions. At the present time, many merchants have information by cable as to what remittances are on the way to this country, and it is the ordinary business of a banker occasionally to accommodate a good customer in anticipation of arrival of the drafts.

There are many ways in which the cable may be used to facilitate payment of money, which will cause little inconvenience. On the opening of the tea market in China, the Australian merchant may find prices in his favour, and by the use of the cable, he can easily arrange fresh credits for increased purchases in Foochow. In like manner, the American merchant desirous of importing coffee from Rio Janeiro can make all his arrangements by cable; he can instruct his agent at port of shipment to draw on the London firm with whom a credit has been established. In both cases bills would be sold in the ordinary way, in Foochow and Rio Janeiro respectively, and such transactions would not, strictly speaking, be telegraphic transfer of money.

Till Money.

"A place like Lombard Street, where in all but the rarest times money can be always obtained upon good security or upon decent prospects of probable gain, is a luxury which no country has ever enjoyed with even comparable equality before."—Walter Bagehot.

Bankers will not be so hard pressed in this way as some seem to think. Every Indian and Colonial bank keeps an account with a London banker. The Indian banks are said to be the largest customers which the bill brokers have, on many occasions contracting for the discounting of their bills "to arrive" by subsequent mails.* We often see an announcement in the daily papers that the Indian banks have been borrowing upon Government securities, or, as lately, that they were borrowing on the security of bills, "until the turn of the year," when they expect to be able to discount on better terms.

We never hear of it, but possibly Australian banks do the same thing, and thus avoid keeping a large amount of unemployed capital available for responding to cable transfers, or for other purposes.

Australian bankers, like all other prudent bankers, have permanent investments in the shape, generally, of colonial government debentures. For the convenience of working telegraphic transfers, they can place these securities in the hands of their London manager or agent, who can take them to "Lombard Street" when necessary. During the produce season and for some time after it is over, the banker will probably be well supplied with funds, but occasionally it may be convenient for him to make use of Lombard Street (his till), "which is by far the greatest combination of economical power and economical delicacy that the world has ever seen. Of the greatness of the power there will be no doubt. Money is economical power. Everyone is aware that England is the greatest moneyed country in the world; everyone admits that it has much more immediately disposable and ready cash than any other country. But very few persons are aware *how much* greater the ready balance—

* The joint-stock banks did very little fresh business, but continued, in the language of Lombard Street, to "sit on their money" to the extent of millions; and will only begin to let it out freely after the turn of the year, when a complete change in the position of affairs will be witnessed. The discount rates were the same as before, say, 4 to $4\frac{1}{8}$ for three months' bills; but the opinion as to the future of the market was clearly seen in a transaction by one of the Eastern banks, which was able to negotiate its three, four, and six months' paper, "to arrive" about the middle of next month, at $3\frac{5}{16}$ per cent.—*Daily Telegraph.*

the floating loan fund which can be lent to any one or for any purpose—is in England than it is anywhere else in the world." Such is Mr. Bagehot's description of "Lombard Street," which is the till of the Indian banker.

With sufficient reserves already in London, the Australian banker need not always send cover at the time of issuing drafts. He can safely, when it suits his purpose, retain the money for use in the colony for a certain length of time, if the remittances are to be sent home in the shape of negotiable documents which his London representative can put into the till at Lombard Street, when his acceptances mature. So that not only for telegraphic transfer but in his ordinary exchange business, the Australian banker could often profitably use "Lombard Street." Melting their bills "red hot"* does not necessarily indicate pressure; it is more likely, in the case of an Australian bank, to indicate a sensible and profitable financial arrangement, rendered practicable by the ample reserves held in London. Those reserves of debentures or other securities may not be required in "Lombard Street" from one year's end to another, but the fact that they are available in London renders practicable the operations indicated.

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* *Journal of the Institute of Bankers* for February, 1883, p. 112.

CHAPTER XIII.

THE COMPTOIR D'ESCOMPTE DE PARIS.

Incorporated by National Decrees of 7th and 8th March, 1848, *and by Imperial Decrees of 20th July,* 1854, *and 31st December,* 1866.

Capital fully paid up.........	80,000,000	francs	=	£3,200,000
Reserve Fund..................	20,000,000	„	=	800,000

[The Accounts are made up annually to December 31st, and submitted in Paris late in January. For 1874 the Dividend was 37 francs per share; for each of the years 1875, 1876, and 1877, 40 francs; for 1878, 42 francs; for 1879, 44 francs; for 1880, 46 francs; and for 1881 and 1882, 48 francs.]

THERE are many and obvious reasons which will have induced the Directors of this wealthy French bank to extend its operations to New South Wales and Victoria. The development of direct trade during late years between the Continent of Europe and the Australian Colonies has been very considerable. French merchants are now pushing for a greater share of the profits of Australian commerce. French and Continental wool buyers, instead of coming to the London sales, are trying the effect of purchasing in Melbourne, the wool being shipped direct to Antwerp and other ports. Continental merchants and manufacturers are also endeavouring to open up direct communication with the Colonial merchant, without the intervention of the London middle-man. A French line of steamers, the *Messageries Maritimes*, under a contract with the French Government, dispatch a steamer every twenty-eight days from Marseilles, for the conveyance of mails, *viâ* Reunion and Mauritius, to Australia and

New Caledonia, merchandise from this country being shipped from London by another steamer, and transhipped at Marseilles. These are some of the causes which will have influenced the Comptoir to gain a firm foothold in Australia, where, while advertising that they are prepared to offer ordinary banking facilities, they especially desire to purchase bills drawn in francs, payable in the principal towns of France and Belgium.

The Comptoir has branches at Lyons, Marseilles, London, Calcutta, Melbourne, &c., and sub-agencies at Foochow, Yokohama, San Francisco, Sydney, and other places. It will thus be seen that its ramifications are extensive, and from its large connection with India and China it is apparently able to deal in exchange at somewhat lower rates than many of its Australian competitors. It is, however, to be hoped that this will not cause the banks in the Colonies to enter on a course of reckless competition in Exchange, such as for years has marked the course of banking business in the East. The managers of the Comptoir will probably in time see the advisability of entering into the agreement with the other banks. I am not aware if they have ever been asked to do so in London.

The figures given at the head of this Chapter will indicate the position of the bank. It will be remarked that the shareholders have no further liability, the capital being entirely paid up; but it has already been shown in Chapter VI. that its proportion of paid-up Capital and Reserve to Liabilities to the public is very large.

With lines of direct steamers from Hamburg, Antwerp and Marseilles, an abundant impetus has been given to Continental trade with Australia. The fifth steamer, which has been dispatched to the Colonies by the Messageries Maritimes Company, under their mail contract with the French Government, arrived in May, and the homeward steamer, leaving Melbourne for Marseilles in the beginning of that month, had 105 passengers on board and 30 bags of mails. Of cargo the steamer had more than she could conveniently carry away, and some 200 tons or thereabouts had to be shut out.

About twelve months ago the Belgian Export Company commenced business in Melbourne for the purpose of introducing Belgian manufactures into Australia. It has introduced large quantities of bar, rod, sheet, and plate iron, and articles of various kinds which are

manufactured in the Colonies, and active steps are being taken to develop a return trade by sending to Belgium samples and trial shipments of Australian products, such as wool, wheat, wine, tallow, &c. The Company has agencies in Germany, France, and other parts of the Continent, so that there is every prospect of an extensive market for Australian products.

It is thus not improbable that before many years have elapsed other French and German banking companies will establish themselves in Australia, increasing the keen competition already existing among the various monetary institutions.

CHAPTER XIV.

THE TRUSTEES, EXECUTORS, AND AGENCY COMPANY, LIMITED, OF MELBOURNE, VICTORIA.

Capital Subscribed, £84,250; *Paid-up*, £33,700. *Total Liabilities*, £168,500.

THIS Company was incorporated (under the Colonial Companies Statute, 1864) in the year 1878, its object being to establish a safe and permanent corporate body to act:

1. As Trustee, Executor, or Administrator.
2. As Agent for Trustees, Executors, or Administrators, or for principals unable or unwilling to act for themselves in the management and realization of estates.
3. As Attorney or Agent to invest money, negotiate loans, buy and sell land, runs, shares and securities, effect insurances, and act generally as agent in the Australasian Colonies.

In order to remove some practical difficulties, and to give greater security to the public, it was deemed expedient in 1879 to introduce into the Colonial Parliament a Bill for facilitating the carrying out the objects of the company in its corporate capacity, and this Bill, after being subjected to much criticism and many amendments, became law on the 8th December, 1879.

It is intituled, "An Act to confer powers upon the Trustees, Executors, and Agency Company, Limited."

In conformity with the provisions of this Act, the Company, shortly after it passed, issued 20,000 new shares of £2 10*s*. each, which were at once taken up in the Colony and £1 per share paid thereon, together

with a premium of 25 per cent. on the amount so paid, a clear indication of the opinion formed there of the soundness of the Company; its chairman is Sir Charles Sladen, K.C.M.G., while Mr. D. C. M'Arthur, late Superintendent of the Bank of Australasia, is vice-chairman.

Besides the head office in Melbourne, the company has opened branches at Ballarat, Beechworth, Geelong, Kyneton, and Sale (Gipp's Land). It has also established an agency in London, the agents for the United Kingdom being Messrs. Sladen & Mackenzie, Solicitors, No. 1, Delahay Street, Westminster.

The following is the scale of charges on all estates committed to the management of the Company, in accordance with the 8th Section of the Executors Company's Act, No. 644:—

A commission of £2 10*s*. is charged on every £100 received by the Company on account of the corpus of any estate committed to its management as executor or trustee of a will, or as administrator with the will annexed;—and a commission of £2 10s. is charged on every £100 received by the Company on account of the income of such estate.

These rates also apply generally to marriage or other settlements of which the Company may be trustee, and to cases where the Company may act as receiver, committee under the Lunacy Statute, or attorney under power.

The above commission is payable exclusive of disbursements necessarily made.

In addition to the above specified rate, the Company is prepared to make special arrangements with those disposed to place business in the Company's hands on terms varying according to the extent of the business, the nature of the responsibility, and the amount of work entailed.

The following are some of the advantages offered by this Company, which from the novel character of the business undertaken it will be useful to record:—

(1.) The Company, unlike any individual trustee or executor, never dies or leaves the colony, or becomes incapable through any cause of acting in the position to which it has been appointed and thus the inconvenience and expense of filling up a vacancy in the office of acting trustee, executor, or attorney, occasioned by death or otherwise, is avoided.

(2.) Proprietors residing out of the colony have the advantage of appointing as their agent a sound non-trading corporate company, which has, amongst its shareholders, leading men of all professions and businesses, versed in the management of estates and business generally, in preference to a private individual, who may die or leave the colony, or become incapable or untrustworthy.

(3.) The Company works with special practical knowledge, and the combined judgment and enlarged experience which a board of directors must bring to bear in the management of estates, and in dealing with property and the investment of money coming to their hands as trustees, executors, or administrators, or entrusted to them as agents, must be beneficial to those interested, as well as a guarantee against fraud and mis-management.

(4.) The removal of the difficulty, which is generally felt, of securing the services of suitable and trustworthy persons willing to accept the onerous duties of trustees or executors, and to incur the heavy risks and responsibilities attaching to these offices.

(5.) Business is conducted on a fixed and ascertained scale of commissions known to the principal, settlor or testator, when he selects the company. That scale will not exceed the sum usually charged in the colony in similar cases, and will generally fall much below that rate, whereas 5 per cent., the legal maximum amount allowed by law to trustees and executors in the colony of Victoria, is almost invariably claimed by those entitled to it and allowed by the court.

(6.) The person selecting the company to act for him, whether as trustee, executor, or agent, has the security of the subscribed capital liability, a substantial part of the paid-up capital of the company being invested in the name of the colonial treasurer as trustee for the company, in Government debentures, pursuant to section 4 of the special Act.

(7.) By the 10th section of the special Act, the company may, on application to the Supreme Court by a trustee, *cestui que* trust, legatee, &c., in a summary inexpensive way and without suit or petition, be ordered to account, and by section 11 the Supreme Court may, on a similar application, in addition to or in substitution for such account, appoint an auditor to examine the books and accounts of the company. No such summary remedy exists as against a private individual.

(8.) The public can at all times be satisfied as to the pecuniary position of the company, for by section 20 of the special Act, the managing director or manager of the company is bound to make half-yearly a declaration showing the state of the affairs of the company, which must be published and exhibited conspicuously in all its places of business.

(9.) The company not being a trading company, derives its profits from the transaction of business on commission, instead of from investing its capital in speculative transactions, a very important consideration in estimating the security which the company offers to those who confide their business to its management.

(10.) Even those who have had the good fortune to secure the services of persons in every way fitted to act as executors or trustees, would find it advantageous to appoint the company in succession to the executors or trustees, named in the will or settlement; and thus, while the testator or settlor would retain for the estate the good offices of his friends, so long as they were able and willing to render them, the company would in case of the executors or trustees originally named dying, becoming incapable, or refusing to act, be ready to take up the duties, and carry out the intentions of the testator or settlor. The same remarks will apply, although in a qualified sense, to powers of attorney, and it would often be advisable to appoint the Company under a power to come into operation in case of the death, insolvency, absence, or incapacity of the original attorney or agent.

The Company, although so recently formed, is paying a dividend of 6 per cent. per annum, and on the 31st December, 1882, there remained a balance of £1,370 5*s.* 8*d.* to carry forward after payment of dividend. At the last meeting, which was held on 7th February, 1883, Mr. M'Arthur was in the chair, and informed the shareholders that although, as was expected on the formation of the company, its progress had been slow up to that time, during the last month or two there had been a large access to the company's business, and several trust estates, having an income of some thousands a year, had been transferred to the company. He also added that since the end of the year scarcely a week had passed without the company being called upon to enter upon the duties of executors of estates varying in value from £2,000 to £40,000 each.

CHAPTER XV.

Biographical—Mr. John Bramwell; Mr. William Purdy; Mr. John Matheson; Mr. Benjamin Boyd.

THE life of a bank officer is not such as to make his biography, generally speaking, of more than local interest. Australian banking is no exception to this rule, and in Mr. Heaton's *Australian Dictionary of Dates and Men of the Time,* Mr. Benjamin Boyd is the only banker accorded a place. It would be easy to mention many gentlemen well known as chairmen of Australian banks who, from year to year, have been in the habit of making interesting speeches to the shareholders at the half-yearly meetings. The names of Mr. W. Fane de Salis, Mr. E. Divett, Mr. Harry George Gordon, and a few others will readily occur to most of us, but our present object is not to refer to directors, but to give a brief account of one or two managers who have recently passed away.

MR. JOHN BRAMWELL

Began his banking career as a junior clerk in the Aberdeen Town and County Bank, of which he afterwards became an inspector. When the London Chartered Bank of Australia was formed the directors entrusted the control of its affairs to Mr. Bramwell, who at once proceeded to Melbourne. Fifteen years afterwards he left it a highly prosperous [illegible] a reserve fund of £100,000, and its position now, so [illegible]cerned, is no better than when he retired from its [illegible] he reported a largely increased business, and [illegible] fact in a great measure to an arrangement he

had made to supply Her Majesty's government at Melbourne with funds to enable them to discharge their public obligations, pending the solution of the differences which had unfortunately arisen between the two branches of the legislature. One of the effects of that arrangement Mr. Bramwell thought would be to secure virtually to them the possession of the Government account. Some of the shareholders severely censured the advances made, and the arrangement was much commented upon in the Melbourne papers. Shortly after this it was announced that the advances accorded to the Government of Victoria had been fully liquidated and that Mr. Bramwell had expressed a desire to be relieved from his functions as colonial manager of the London Chartered Bank. He soon returned to this country and was for a time manager in London of the London and San Francisco Bank, Limited, but he was scarcely settled in his new managerial chair before he was offered the London managership of the Union Bank of Australia, a post which he accepted and occupied until his death.

Mr. William Purdy.

At the time of his death in 1878, was one of the oldest bank managers in London. At an early age he entered the service of the South Australian Company, and four years afterwards was appointed accountant in the office of the South Australian Banking Company. In November, 1851, on the retirement of Mr. Wheeler, manager of the bank, Mr. Purdy was appointed his successor, and under his management it attained considerable success. Mr. Purdy was the author of many pamphlets on topics connected with Australian commerce, and published in 1876, a work entitled, *The City Life*. He is, however, better known from the persistent efforts he made to secure speedier and more frequent postal communication between the mother-country and Australia, and innumerable letters from him appeared in the daily press on this subject. The exceptionally profitable manner in which he utilised the bank's funds in London in 1857, the year in which the South Australian Banking Company incurred very severe losses in Adelaide, was specially alluded to by the chairman at the meeting of shareholders in 1858.

Mr. John Matheson.

Mr. John Matheson was a Scotchman, born in 1821, and at the early age of fourteen proceeded to Tasmania to join his uncles, who were stock-breeding there. On his arrival in Hobart Town, by way of preparation for bush life, and to teach him habits of business, he went into a merchant's office, where he remained until the year 1838, when he joined the staff of the Union Bank of Australia, which had just then opened a branch at Hobart Town. In 1845 he was appointed manager of the Union Bank at Geelong, and subsequently, in 1851, was promoted to the Melbourne management. In January, 1853, Mr. Matheson severed his connection with the Union Bank on his appointment to the general managership of the then newly formed Bank of Victoria—a post which he held until 1881, when he retired. He paid a visit to London in 1859, when he established the London office, and remained in this country for a period of two years. He died in Melbourne on the 10th July, 1882, six months after his retirement.

Mr. Benjamin Boyd.

The following sketch of Mr. Benjamin Boyd's remarkable career is condensed from a judgment delivered by Mr. Commissioner Fane, in the Court of Bankruptcy, and is given as nearly as possible in his own words:—

Mr. Benjamin Boyd commenced his commercial career in 1824, in partnership with his younger brother, Mr. Mark Boyd, as stock brokers, and in 1827 they became members of the Stock Exchange, where they conducted their business until 1841, Mark Boyd continuing the business until 1855. Mr. Benjamin Boyd, the elder brother, was a person of large capacity and of an enterprising disposition, and had been, it is said, the principal agent in founding two very flourishing London establishments—the North British Insurance Company and the Union Bank of London; and in 1840 it occurred to him that there was an opening for a new London bank, to be based on the idea of collecting capital here, where interest was low, and using it in Australia, where interest was excessive, and he set about the carrying out of this idea with his usual energy and talent. Of course such a project did not

ripen in a day. It took the whole of 1840 and nearly the whole of 1841 to reach maturity. There was a difficulty in getting shareholders under the then existing law of unlimited liability, but some few having come forward, and a highly respectable board of directors having been formed, of which Mr. Benjamin Boyd was chairman, it was determined by the board to raise money by loan on promissory notes, which were to be payable five years after date, with 5 per cent. interest in the meantime. By those two expedients, the issue of shares and the issue of promissory notes, a sufficient capital was obtained towards the end of 1841, and the board then despatched to Australia six or seven persons, who were ultimately to take charge of branches of the bank at Sydney, Melbourne, and other places in Australia. In November, 1841, sufficient funds being collected, and the bank ripe for action, Mr. Benjamin Boyd, in accordance with the original idea upon which the whole scheme was based—namely, that the main operations of the bank be in Australia, and that he should conduct them—sailed for Sydney; but before starting, he, for some reason which could not be ascertained with certainty, set up two nominal firms, one called the "Australian Wool Company" and the other "Boyd Brothers," which in reality were nothing more than himself under different names. He also selected a Mr. Samuel Browning as clerk or agent to look after his Australian affairs here. Having thus made such arrangements as he thought necessary, he sailed for Sydney in November, 1841, for the professed purpose of acting there as Chairman of the Board and Manager of the affairs of the bank in Australia. When he started he had the entire confidence of all parties, and with their ready consent, he took with him assets to the amount of £149,000 to be used in Australia, and from that time until 1846 he carried on the business at Sydney, drawing largely on the bank at home, and the bank at home freely meeting his drafts. But when Mr. Benjamin Boyd arrived in Australia in 1842, he found credit in a state of collapse. There had been a monetary crisis there and banking operations were hazardous in the extreme, on the other hand property was a drug ; everyone was selling and no one buying, and under these circumstances he resolved to borrow the bank's money of himself, credit the bank with colonial interest at 10 per cent. or more, buy property and hold it as security to the bank for the funds so borrowed. It is clear that he

communicated his plan to the authorities at home, for in the report of the official manager, dated May, 1854, it is stated that as early as August, 1843, he announced to the board at home that he should take £100,000 of the company's money on loan at 10 per cent. interest, to which the manager replied that his letter had given the directors much satisfaction, and that to the application of the funds to the extent of £100,000 there was not the least objection, but he suggested a mortgage or lien on the property. It will be observed that the above letter only declared an intention to take £100,000 on loan and an acquiescence to that extent, but it is now clear that Mr. Benjamin Boyd from that time treated himself as borrower at 10 per cent. of nearly all the bank's funds, and that with them he purchased up country stations, with sheep, cattle, horses, &c., and wool and land and houses in Sydney, and whalers, and in short did everything which a bold speculator supported by large funds might be expected to do. It has been thought by many that if his speculations had been allowed full time to ripen, the results would have been prodigious. Certain it is that some of the properties he bought were subsequently sold very advantageously, but unfortunately for him he acted as many clever self-willed persons do, and instead of generating confidence by full and free explanation of all his views and proceedings, he sent home year after year, meagre accounts, telling nothing in detail, and only giving general results, showing, however, that the Australian profits (including apparently the interest at 10 per cent. on the bank's loans to himself), were sufficient to enable the board at home to pay 5 per cent. to holders of promissory notes, 6 per cent. to the shareholders, and leave a large surplus besides. Such accounts kept everything quiet till the period arrived when the promissory notes were coming due, but as that formidable period approached (and it approached in 1847 when a monetary crisis here had raised the value of money in London to 8 per cent.), great anxiety arose at the board, and under the influence of those suspicions which meagre explanations always generate, the board after consulting with some of their considerable creditors determined to supersede their chairman and they despatched a Mr. Sprott Boyd to Australia with the necessary powers, and with instructions to do the best he could for the bank according to circumstances. Mr. Sprott Boyd arrived in 1848, and after some negotiations Mr. Benjamin Boyd executed a deed dated the 24th August, 1848, whereby in consideration of a general

release, he conveyed to the bank all the vast property he had acquired in Australia with some trifling exceptions. It appears from the above statement that Mr. Benjamin Boyd had during the whole of the above period, considered himself as a borrower of the bank's money, and owner of the property he had bought with it, subject to the Royal Bank's lien upon it, and his conduct and accounts were in accordance with that view. The account he sent home for 1844, relating to the Sydney branch, made the branch creditor for £318,372, on security of about 260,000 sheep, 40,000 head of cattle, 1,200 horses, stations, wool, ships, lands, houses, wharves, and bills of exchange, and there cannot be a doubt that he was the principal debtor in respect of that £318,372, as he was the owner of the property which was the security for it. He also treated all the property which he sent home as his own, despatching it to London to the house of B. & M. Boyd, in whose favour the bills of lading were made out, and sending instructions to his own clerk, Browning, as to what was to be done with it, with which Browning complied, and his instructions were, presumably, that counter consignments should be sent to him in Australia. The house of B. & M. Boyd kept the accounts by means of Browning, and paid and received everything; and up to the month of July, 1849, the balance of consignments, &c., was £26,777 in favour of the house of B. & M. Boyd, the figures being :—

Consignments, &c., to Australia	£207,978
Do. to London	181,200
Balance	£26,778

As he considered the above property his own, and as his brother and Browning entertained the same view, it never occurred to any of the three to render any account of the consignments to the Royal Bank; nor did Mr. Sutherland, the acting chairman in London, who was constantly with Browning, or Mr. Connell, an active director, ever ask for any such account or ask to see the books. They, it would seem, thought that the balance due from the Sydney branch, as shown by the accounts transmitted by the branch to the parent bank, was all they were entitled to, and they had nothing to do with Benjamin Boyd's land, wool, or whale-oil speculations. Mr. Sprott Boyd did not give satisfaction to the Board, and as they had a high opinion of Mr.

Browning, they afterwards sent him out to replace Mr. Sprott Boyd. The bank struggled against its difficulties until 1850; but in March, 1850, an order was made under the Winding-up Act, and Chancery administration then superseded all others.

Among the many enterprises of Mr. Boyd it deserves to be mentioned that he was the first or amongst the first to attempt to procure cheap labour by the employment of South Sea Islanders. He engaged a large steamer with five smaller vessels as tenders for this enterprise, and the experiment was made with natives from the New Hebrides. He landed several ship-loads of the natives at Two-fold Bay, and despatched them to his stations in the interior at Deniliquin and Ulupna on the Murray. They were engaged to act as shepherds or hut keepers for a term of years, at sixpence per week, with a new shirt and Kilmarnock cap every year. But a very short trial proved their unfitness for a pastoral life. Instead of being of any service on the stations, they stood in need of constant watching to keep them out of mischief. By some means or other most of them found their way to Sydney, where they created no small consternation among the women and children, as they marched through the streets all but naked, bearing their formidable clubs and other weapons, as if ready to commence an attack. Finally, after being experimented upon in various ways, amongst others as seamen on board Mr. Boyd's whalers, some of them got back to their native shores.

Mr. Boyd's end was an untimely one, but it is shrouded in mystery. It appears that on severing his connection with the Royal Bank he embarked with a digging party, mostly consisting of Australian Aboriginals, on board his yacht, the "Wanderer," (in which he had come from England in 1841) and sailed for California in 1850, at the time of the gold excitement there. He was unsuccessful, and was on his way back to Sydney when his yacht touched at one of the islands in the Solomon group, known as Guadalcanar. There he went ashore with a black boy, to have some shooting, and is supposed to have been murdered, as he was never seen again, though vessels were at various times dispatched from Sydney to the island and every possible enquiry was made.*

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* These latter particulars are extracted from Mr. J. Henniker Heaton's *Australian Dictionary of Dates.*

Since the first Chapters were in type, several reports of banks for another half-year have been received. The Chairman of the Colonial Bank of Australasia had to report a further increase of deposits to the extent of £200,000, making a total increase in one year of £500,000 in the bank's deposits—an increase of nearly 25 per cent. Altogether the progress has been so satisfactory as to have enabled the directors to increase the rate of the dividend. A dividend at the rate of 9 per cent. per annum was declared, and the directors feel satisfied that they will be able to maintain the increased rate.

Another half-yearly meeting of the National Bank of Australasia, at which there was a very large attendance of shareholders, has also been held. The prediction of the chairman at last meeting that the shareholders might at no distant date look forward to a bonus, has already been verified. During the twelve months there had been an increase in the advances of £670,000, while the deposits had increased by £421,000. This represented such a satisfactory advance in the progress of the bank as to justify the directors in proposing to increase the dividend. They accordingly declared a bonus at the rate of 1½ per cent. per annum, in addition to the usual dividend, making it equivalent to 14 per cent. for the year.

The Bank of New South Wales and the Bank of New Zealand have also had meetings, the former paying a dividend of 17½, and placing £20,000 to the reserve, which now amounts to £520,000.

The Bank of New Zealand has declared a dividend and bonus equal to 15 per cent. per annum, and carried £24,000 to Profit and Loss New Account. Its capital and reserve, and increased liabilities to the public, will now entitle it to rank as the second Australian bank, unless the Union Bank has in the meantime been making [illegible] progress.

The following supplemental statement, showing the percentage of total liability of shareholders, will render more complete Chapter VI. :—

	Percentage of Shareholders' liability to Bank's liability to the Public.
1. Union	57·4
2. English, Scottish, and Australian Chartered	42·9
3. Victoria	42·3
4. National	39·9
5. Australasia	31·0
6. Joint Stock	29·5
7. Commercial of Sydney	26·8
8. New Zealand	26·6
9. New South Wales	18·5
Comptoir d'Escompte de Paris	43·0
Oriental Bank Corporation	25·3

AUSTRALIAN BRANCHES.

VICTORIA.

80, COLLINS STREET WEST, MELBOURNE.

(Fire and Marine.)

Local Board.

DAVID G. E. ALSOP, Esq. (Harbottle, Biddulph and Alsop.)
JOHN BENN, Esq. (Grice, Sumner and Co.)
T. J. FINLAY, Esq. (Powers, Rutherford and Co.)
J. S. HORSFALL, Esq. R. Goldsbrough and Co.)
WILLIAM PETERSON, Esq. (W. Peterson and Co.)
WM. HOWARD SMITH, Esq. (W. Howard Smith and Sons.)
JOHN KANE SMYTH, Esq. (Australian Mortgage and Agency Co.)

Resident Manager and Underwriter—WM. HY. JARRETT.

NEW SOUTH WALES.

PITT AND HUNTER STREETS, SYDNEY.

(Fire and Marine.)

Local Board.

EDWARD CHISHOLM, Esq. (Brown and Co.)
Hon. JOHN FRAZER, M.L.C. (John Frazer and Co.)
CHARLES T. GEDYE, Esq. (Dangar, Gedye and Co.)
JOHN HINCHCLIFF, Esq. (A. Hinchcliff, Son and Co.)
JOHN NEWTON, Esq. (Christopher Newton Bro. and Co.)
RICHARD GRANT READING, Esq.

Local Secretary and Underwriter—J. ST. VINCENT WELCH.

SOUTH AUSTRALIA.

KING WILLIAM STREET, ADELAIDE.

(Fire and Marine.)

Local Board.

W. H. CHARNOCK, Esq. (Joseph Stilling and Co.)
W. B. SELLS, Esq.
F. W. STOKES, Esq., M.P.
ANDREW TENNANT, Esq., M.P.

Acting Local Secretary and Underwriter—F. W. FRAMPTON.

QUEENSLAND.

158, ELIZABETH STREET, BRISBANE.

(Fire and Marine.)

Local Board.

Chairman—The Hon. B. D. MOREHEAD, M.L.C.
Local Secretary and Underwriter—EDWARD SAYCE.